

Request for Proposals
For
Third Party
Record Keeping Services
For the
Public Employees' Retirement System
Plan 3



Released by

State of Washington
Department of Retirement Systems
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RFP 00-30

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**WASHINGTON STATE
DEPARTMENT OF RETIREMENT SYSTEMS**

REQUEST FOR PROPOSAL 00-30

**THIRD PARTY DEFINED CONTRIBUTION RECORD KEEPING SERVICES
FOR
THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN 3**

1. INTRODUCTION

1.1 PURPOSE

The Washington State Department of Retirement Systems (DRS) is seeking a third party record keeper for the new hybrid retirement plan that is being added to its Public Employees' Retirement System (PERS). PERS currently contains two plans (Plan 1 and Plan 2) which cover the eligible employees of state, higher education and local government employers. These two plans are defined benefit plans. The new plan, Plan 3, is a hybrid defined benefit/defined contribution plan. The record keeper selected through this Request for Proposal (RFP) will provide services for the defined contribution portion of PERS Plan 3.

These record keeping services will be phased in, with implementation of the PERS Plan 3 record keeping services beginning March 1, 2002.

1.2 DEFINITIONS

- "Respondent" shall mean an entity intending to submit or submitting a proposal for the project.
- "Apparently Successful Respondent(s)" shall mean the Respondent(s) selected by the Department of Retirement Systems (DRS) as the most qualified entity to perform the stated services.
- "Director" shall mean the agency employee authorized by RCW 41.50.020 who serves as the executive and administrative head of DRS.
- "RFP" shall mean this Request for Proposals, any addendum or erratum thereto, Respondents' written questions and the respective answers, and any related correspondence that is: (1) addressed to all Respondents and (2)

signed by the Director, Deputy Director, their designee, or the RFP Coordinator.

- “DRS” shall mean the Washington State Department of Retirement Systems as described in Chapter 41.50 RCW.
- “ERBB” shall mean the Washington State Department of Retirement Systems Employee Retirement Benefits Board.
- “WSIB” shall mean the State of Washington, State Investment Board, consisting of the policy board described in RCW 43.33A.020 and staff authorized by RCW 43.33A.100. It may also be referred to as Board in this RFP.
- “TRS” shall mean the Washington State Teachers’ Retirement System.
- “SERS” shall mean the Washington School Employees’ Retirement System.
- “PERS” shall mean the Washington State Public Employees’ Retirement System.

Contract definitions are provided on page one of the Sample Contract, which is Appendix A of this RFP.

1.3 BACKGROUND

DRS is a state agency created by the 1976 Washington State Legislature. The enabling legislation is found in Chapter 41.50 Revised Code of Washington (RCW). DRS currently administers the state’s seven public sector retirement systems with twelve separate plans that have a combined total value of approximately \$47 billion. The retirement systems and plans are Public Employees’ Retirement System (PERS) Plan 1 and Plan 2; Teachers’ Retirement System (TRS) Plan 1, Plan 2, and Plan 3; Law Enforcement Officers’ and Fire Fighters’ Retirement System Plan 1 and Plan 2; the Washington State Patrol Retirement System, the School Employees’ Retirement System (SERS) Plan 2 and Plan 3, the Judicial Retirement System, and the Judges’ Retirement Fund. All are defined benefit plans, with the exception of TRS Plan 3 and SERS Plan 3 which are dual hybrid defined benefit/defined contribution plans.

Overview of Legislative Purpose

The 2000 Legislature created a new optional defined contribution/defined benefit plan for the employees of state, higher education and local government employers. The intent of this bill is to provide new and

current PERS Plan 2 members who are employees of state agencies, higher education, and local government, similar retirement benefits and services provided to members of TRS Plan 3 and SERS Plan 3, as well as some flexibility in retirement planning. The structure and administration of PERS Plan 3 is differentiated from the traditional PERS Plan 2 defined benefit structure by the following features and components:

- A defined benefit calculated with a 1 percent formula that is funded by employer contributions, and a defined contribution account consisting of member contributions plus the full investment return accumulated on those contributions.
- Two investment programs in which PERS Plan 3 members can invest their contributions in defined contribution accounts: a) a default investment option (known as the WSIB-TAP) managed by the WSIB, made available at no additional cost to the member (administrative costs are paid by the state); and b) a series of Self-Directed investment options providing exposure to most major asset classes with associated administrative expenses paid by electively participating membership.
- Record keeping, investment education, and communications services supplied by a contracted record keeper hired by DRS through this RFP.
- Contribution rate options established by the ERBB (contribution rate options subject to change).
- An opportunity for PERS Plan 2 members to make an irrevocable decision to transfer their service credit, membership, and accumulated PERS Plan 2 employee contributions to PERS Plan 3. This transfer opportunity will be supported with a transfer education program.
- A transfer payment equal to 110 percent of a PERS Plan 2 member's contributions plus interest for state and higher education members and 111 percent for local government members who choose to transfer to PERS Plan 3 within the established time period and earn the required service credit.
- A retroactive gain sharing mechanism for members transferring by 2002, for gain sharing payments earned in year 2000 and year 2002.
- An ongoing gain sharing mechanism whereby extraordinary investment returns earned by the combined Plan 2/3 trust funds are shared with Plan 3 membership.
- A range of defined contribution account distribution options, including annuity options authorized by the ERBB and administered by DRS and the record keeper.
- Ongoing opportunity for new employees eligible for membership in PERS to select either PERS Plan 2 or PERS Plan 3 within a 90-day time frame.
- An annual opportunity each January for PERS Plan 2 members who did not transfer and who earn service credit in January to transfer to

Plan 3, albeit without the transfer payment.

Implementation for Current Members

Currently there are approximately 122,000 PERS Plan 2 members working for state agencies, higher education, and local government employers who will have the option of transferring to PERS Plan 3. PERS Plan 2 members will be able to transfer during two phases:

- Phase I (March 1, 2002 through August 31, 2002) provides the transfer open window for approximately 65,000 PERS Plan 2 state agency and higher education employees.
- Phase II (September 1, 2002 through May 31, 2003) provides the transfer open window for approximately 57,000 PERS Plan 2 local government employees.

PERS Plan 2 members who transfer to Plan 3 during the open window and earn service credit in February 2003 will receive a transfer payment equal to 110 percent of the contributions and interest in their account on March 1, 2002, for state and higher education members and 111 percent for local government members. Members who do not elect to transfer to PERS Plan 3 will remain in PERS Plan 2. Although these members will not receive the transfer payment, they will have an option each January of transferring to PERS Plan 3.

The legislation requires that the new PERS Plan 3 be implemented on March 1, 2002. All PERS Plan 1 members will stay in PERS Plan 1. PERS Plan 2 members employed by school districts and educational service districts will become members of SERS on September 1, 2000. SERS Plan 2 and 3 will continue to be a separate retirement system from PERS Plan 2 and 3.

The number of members who will transfer to the new PERS Plan 3 is unknown at this time. While no assurances can be provided on the number of members, especially given the optional nature of the Plan, when the legislation creating PERS Plan 3 passed, the fiscal note estimated the number of members electing to transfer to PERS Plan 3 would be:

Assumptions for Phase I Implementation, March 1, 2002 through August 31, 2002 - PERS Plan 2 State Agencies and Higher Education Employers

Approximately 65,000 PERS Plan 2 members employed by state agencies and higher education employers will be eligible to transfer to PERS Plan 3. Based on DRS's experience with TRS Plan 3 as well as the employment statistics/history of Plan 2 membership, it is estimated that approximately two-thirds (43,000) of transfer-eligible Plan 2 members will transfer to

Plan 3 by the close of the transfer window.

Assumptions for Phase II Implementation, September 1, 2002 through May 31, 2003 - PERS Plan 2 Local Government Employers

Approximately 57,000 PERS Plan 2 members will be eligible to transfer to PERS Plan 3. Based on DRS's experience with TRS Plan 3, approximately two-thirds (38,000) of transfer-eligible PERS Plan 2 members will transfer to PERS Plan 3 by the close of the transfer window.

While the future level of plan assets is unknown, the average account balance for the employees who are eligible to transfer to PERS Plan 3 is estimated to be \$15,800. The average teacher's transfer balance under TRS Plan 3 was \$18,000; the average SERS Plan 3 balance is estimated to be \$8,000. Although the situations are not identical, information on the TRS Plan 3 and SERS Plan 3 transfer results are as follows:

When TRS Plan 3 was implemented more than 25,000 of the approximately 35,000 eligible TRS Plan 2 members transferred during the open window period of July 1, 1996, to December 31, 1998, with 22,000 of those transferring during the last two months.

For SERS Plan 3, the fiscal note estimated 22,000 members would elect to transfer, which is approximately half of the PERS Plan 2 classified school employees. Because the election period did not begin until September 1, 2000, no information on the number of members electing to transfer is available at this time.

Implementation for Future Members

Persons first hired in PERS eligible positions on or after March 1, 2002, as employees of state agencies and higher education employers will have 90 days from the date of hire to decide whether to select membership in either PERS Plan 2 or PERS Plan 3. Persons first hired in PERS eligible positions on or after September 1, 2002, as employees of local government employers, will also have 90 days to decide whether to select membership in either PERS Plan 2 or PERS Plan 3. During the 90-day period, the member will be reported to DRS in PERS Plan 2 with appropriate member and employer contributions. If the member selects PERS Plan 3, all service credit and employer contributions will be transferred to the member's Plan 3 defined benefit. All employee contributions plus any interest earned will be transferred to the member's Plan 3 defined contribution account. New employees who fail to select a plan during the 90-day period will default to Plan 3. They will default to contribution rate option A (5%), and into the WSIB-TAP fund when no investment program and contribution rate option are specified. Members who select PERS Plan 2 will not be able to transfer to PERS Plan 3 at a later date.

Although it is not known at this time how many new members may join PERS Plan 3, in 1999 DRS received approximately 16,200 new PERS Plan 2 members.

Gain Sharing

The bill also calls for making extraordinary investment gain payments on a biennial basis to Plan 3 members' defined contribution accounts. The gain sharing is only applied to a qualifying member's account when the average of investment returns exceeds ten percent for a specified period of time. The first PERS Plan 3 extraordinary investment gain will be granted on January 1, 2004. Gain sharing payments for the retroactive 2000 and 2002 extraordinary investment returns will be granted on June 1, 2003. The average January 1, 2000 gain sharing contribution for TRS Plan 3 was \$2,056.

1.4 PERIOD OF PERFORMANCE

The period of performance of the contract to provide record keeping services for PERS Plan 3, resulting from this RFP, is scheduled for March 1, 2002 to February 28, 2005. However, contract negotiations for record keeping services will begin upon selection of a successful vendor. DRS reserves the right to extend the contract for up to an additional two years in full or partial one year increments.

1.5 BID REQUIREMENTS

It is DRS's desire to enter into a fixed price contract with a record keeper to provide the services requested in this RFP. The fees proposed must be fixed over the three-year contract, and an increase to the fees quoted will not be permitted.

Additional information about the fee proposals can be found on page 70 of this RFP. Fee proposal forms are available in Appendix B.

1.6 PERS PLAN 3 PLAN SUMMARY

Type of Plan	401(a) – dual hybrid plan with defined contribution component
Member Contributions	Mandatory – Percentage of pay, 6 rate schedules, some vary based on age
Deposit Frequency	Up to daily
Member Investment Direction	Yes

Investment Options	<p>1. "WSIB Investment Program" which is made up of the Total Allocation Portfolio (TAP) managed by the Washington State Investment Board.</p> <p>2. "Self-Directed Investment Program" which is made up of the:</p> <ul style="list-style-type: none"> a. Bond Market Fund b. U.S. Stock Market Index Fund c. U.S. Large Stock Index Fund d. International Stock Index Fund e. U.S. Small Stock Index Fund f. Money Market Fund. <p>There are also 3 pre-mixed portfolio funds made up of percentages of the funds listed above.</p>
Frequency of Valuation	<p>WSIB-TAP: monthly valued</p> <p>Self-Directed Investment Program: daily</p>
Investment Management and Related Fees	<p>WSIB Investment Program: Fees paid by the State</p> <p>Self-Directed Investment Program: Disclosed but netted prior to calculation of Net Asset Value (NAV)</p>
In-service Withdrawals	Not available
Loans	Not available, not permitted
Vesting	Defined contribution, 100% immediate
Member Statements	Quarterly
Payout Elections	May be deferred until MRD date
Rollovers	To other qualified plans and IRAs
Payout Options	<p>TAP: Lump sum and installment payments*</p> <p>Self-Directed: Lump sum, installment payments, and annuities</p>
Administrative Structure	Unbundled

* By July 1, 2005, ERBB is required to make available optional actuarial equivalent life annuity benefit payment schedules for PERS Plan 3 members participating in the WSIB Total Allocation Portfolio (TAP).

Note: All plan provisions are preliminary and subject to change.

2. SCOPE OF SERVICES

The following is a general description of the services DRS expects the Successful Respondent to provide. Because PERS Plan 3 is a new plan, the services finally contracted for may be different. Discussions and necessary modifications will be agreed upon by DRS and the Successful Respondent during contract negotiations; however, because no changes may be needed, it is incumbent upon bidders to fully understand the scope of services outlined below and expected PERS Plan 3 operations. To provide additional information, a copy of the TRS Plan 3 and SERS Plan 3 *Procedures and Requirements Document* is attached as Exhibit 1.

2.1 COMMUNICATIONS

Written Communication Materials

The *PERS Plan 3 Member Handbook*, will be prepared, printed and distributed by DRS. Sample TRS Plan 3 and SERS Plan 3 member handbooks are included in Exhibit 2.

The record keeper will be required to prepare professional brochures, publications and forms for members. The record keeper cannot provide generic investment materials to members; all publications and forms must be customized for PERS Plan 3 members and developed with the understanding that DRS communications staff will be actively involved in the design and drafting of these communication pieces. It is expected that the record keeper will prepare the first draft of all communication materials according to input provided by DRS communications staff. DRS will be responsible for review and comment and may request significant edits and redrafting of materials. Respondents should assume that there would be three drafts of materials required. The record keeper will also be required to provide communication materials to DRS, in formats that DRS can use to ensure files are efficiently exchanged between DRS and the record keeper. DRS currently uses a PC platform utilizing Microsoft Office software, (Word, PowerPoint, Excel version 97, SR-2) PageMaker version 6.5 and PhotoShop version 5.5. DRS anticipates upgrading to a Windows 2000 operating system environment in 2001.

In addition, DRS is in the process of implementing an imaging system. The record keeper will be required to develop designated member forms in Optical Character Reader (OCR) and Intelligent Character Recognition (ICR) compatible format. The record keeper will be required to coordinate forms development with DRS staff.

Materials developed by the record keeper must be submitted to DRS for final review and editing, with adequate time, as determined by DRS, for DRS' review process. Publications must present an unbiased approach to investment information and should educate members about all aspects of the plan, including retirement planning, investment options, performance and distribution selections. The information must explain WSIB-TAP and Self-Directed options, and provide information about the record keeper's services. The record keeper is responsible for the design, HTML formatting where appropriate, printing, and mailing of the materials as described below.

The record keeper will be responsible for the production and distribution (via first class mailings) of the following materials:

- A booklet that highlights retirement investing in a defined contribution plan.

- A contribution rate options brochure.
- An investment guide that also serves as a prospectus-like document for the Plan's investment products.
- An investment options brochure.
- A brochure describing available features and how to use the record keeper's toll-free automated service line and Internet site.
- Investment portfolio construction (asset allocation) and risk/return workbook.
- A distribution options brochure.
- The necessary enrollment and transaction forms.
- A member check list.
- A quarterly member statement of account.
- A brochure that is mailed with the first quarterly statement a member receives.
- A Plan 3 quarterly newsletter that highlights current plan activities.

For informational purposes, the number of various materials printed by the record keeper for SERS Plan 3 and TRS Plan 3 is provided in Exhibit 3. Information on the materials printed by DRS is also provided in Exhibit 4.

A proposal must include a detailed communication plan that includes descriptions of the materials to be prepared, the anticipated time spent on the development of the materials by various types of employees (writers, Web designers, design and layout). Information on distribution methods must be provided, including what class each mailing will be.

While DRS will likely require that the information contained and the look of these materials will likely be different for PERS Plan 3, for information purposes, copies of the brochures, publications, and forms currently provided by the record keeper to TRS Plan 3 and SERS Plan 3 members, are included in Exhibit 5. The record keeper will be required to update, reprint and distribute updated forms and publications when necessary and may be required to produce additional publications as required by DRS.

This RFP requests each respondent outline its costs for the review, comment, design and production of various communication pieces.

All materials produced by the record keeper for PERS Plan 3 are for the sole use of PERS Plan 3 members and are the property of DRS.

Publications and forms must be mailed/shipped by the record keeper to all state agencies' locations, institutions of higher education and all local government employers. The assumptions identified in the fiscal note estimate that approximately 82,000 employees will transfer into PERS Plan 3. These employees work for 192 state agencies and higher

education employers and 707 local government employers throughout the state. In addition, DRS must maintain an inventory of publications and forms for distribution to DRS staff. Currently, DRS has an additional 400 copies of SERS materials on site and anticipates having a supply of 800 copies of the investment education materials on site for PERS Plan 3.

Specific materials, as determined by DRS, are mailed directly to members' addresses of record by the record keeper. These materials may include, but would not be limited to: confirmation letters, letters announcing new plan options, updated brochures, e.g., investment brochure. The record keeper must also respond to individual members' requests for publications and mail them to the member address of record. See "Publication Request Report," Exhibit 6, for activity and publication information.

The record keeper will be responsible for developing and including a PERS Plan 3 quarterly newsletter with member quarterly statements of account (see Exhibit 7) and mailing the statements and quarterly summaries to members' addresses of record. These newsletters must include quarterly investment performance and other pertinent information about PERS Plan 3 and are subject to final review and edit by DRS (see Exhibit 7 for a sample of the TRS Plan 3 Report currently provided to TRS Plan 3 members).

In addition, the record keeper will be responsible for developing and mailing a brochure with the first quarterly statement a member receives. The brochure will be a guide to reading the member quarterly statement (see Exhibit 8 for a sample of the TRS Plan 3 *A Guide to Your Quarterly Statement* brochure).

Web Site

The record keeper must maintain a Web site for PERS Plan 3 information, including the current schedule for investment education seminars (see below). This Web site must be a unique site for the use of PERS Plan 3 members only. The record keeper Web site must:

- Have links to the Web site maintained by DRS for PERS Plan 3 members. To review the site maintained by the current TRS Plan 3 and SERS Plan 3 record keeper, ICMA Retirement Corporation (ICMA RC), go to <http://www.icmarc.org/plan3/>.
- Have video and interactive survey abilities.
- Provide complete Web-based communications opportunities for members who do not want to receive written materials.
- Provide secured access to member account information.
- Include customer support capacities to respond to customer technical issues.

Respondents to this RFP should present ideas for expanding current offerings and describe the kinds of information they currently provide on their Web sites. Any Web site material provided by the record keeper for PERS Plan 3 must be customized and for the sole use of PERS Plan 3 members and potential members. In addition, the record keeper will work closely with DRS web development staff to ensure that all Internet privacy guidelines are enforced as outlined in the Governor's Executive Order 00-03 and the DRS Internet Privacy Statement (see Exhibits 9 and 10).

Financial Modeling Software

The record keeper must provide financial modeling software for PERS Plan 3 members. This modeling software must be customized for PERS Plan 3 by the record keeper, subject to DRS review and approval. The software must allow PERS Plan 3 members to calculate:

- The impact of various contribution amounts on their take-home pay,
- Their future account balances at various returns and contribution levels,
- How much income they will need during retirement,
- The amount of expected PERS Plan 3 payments during retirement under various pay out options and assumed rates of return, and
- Minimum distribution amounts.

This software must be:

- Available on laptop computers used by record keeper representatives at in-person educational meetings,
- Available through the Web site the record keeper will provide for PERS Plan 3, and
- Provided to DRS for its use in counseling PERS Plan 3 members.

Video

In addition to written material, DRS will require the record keeper to prepare an investment education video. This video is expected to be 20 to 30 minutes in length. It must fully explain the Plan and its investment options and be able to replace attendance at the investment education workshops, described below, for members who are unable to attend a workshop.

This video must be customized for members of PERS Plan 3. The record keeper must update this video when necessary, due to changes in investment options, Plan rules, procedures or other changes, subject to DRS's approval. This video must be of professional quality. The record keeper will be required to provide 1,400 copies of the video to DRS and

employer locations. Clips of the video should also be available for viewing through the record keeper's Web site.

Investment Education Workshops

Initial Investment Education Seminars

For PERS Plan 3, beginning in **March 1, 2002**, the selected record keeper will be required to conduct a full schedule of initial investment education group meetings to educate potential members about PERS Plan 3. PERS Plan 2 members will have already had the opportunity to attend transfer education seminars and received various print and video materials explaining the implications of transferring from PERS Plan 2 to PERS Plan 3. The vendor to provide these transfer education services will be selected through another RFP to be issued at the beginning of next year. Transfer education seminars will be conducted beginning in **December 1, 2001**. It is expected that on-going Plan 2/Plan 3 "choice" education will be conducted by DRS or an educator selected by DRS.¹

Those PERS Plan 2 members interested in transferring will be encouraged to attend these initial investment education group meetings to learn more about the investment choices under PERS Plan 3 as well as how to make investment elections. These presentations must include the basics of investing, including investment concepts and investment risks and returns and how the Plan's options fit on the risk/return continuum. The seminars must also describe the differences associated with the monthly valued WSIB-TAP Fund and the daily valued Self-Directed options. All seminars must be conducted by educational personnel qualified to provide information on the investment offerings under PERS Plan 3.

The group meetings will be conducted with groups no larger than 25 throughout the state at times appropriate to the schedules of the target audiences. The record keeper will be required to conduct a minimum of 1,800 meetings with a minimum of one seminar at each location in the state that has 50 or more eligible members (estimated 300 locations). Respondents should include the cost per additional day of meetings in the fee proposal. Based on anticipated transfer activity, DRS will require the record keeper to have a minimum of seven full-time dedicated education service representatives for the initial investment education seminars.

Ongoing Investment Education Seminars

After the initial investment education seminars, the record keeper will be required to conduct ongoing investment education seminars as needed,

¹ Interested bidders should see the separate transfer and ongoing choice education service provider RFP that is expected to be issued by DRS in February, 2001. It is expected that the record keeper selected by DRS for PERS Plan 3 record keeping will be permitted to bid to provide transfer and ongoing choice education services.

determined by DRS, for PERS Plan 3 members. During 1999, the TRS Plan 3 record keeper conducted 90 seminars attended by approximately 893 members. It is expected that a minimum of 300 investment education seminars will need to be presented annually throughout the state for PERS Plan 3 members. The TRS Plan 3 and SERS Plan 3 record keeper has three full-time dedicated education service representatives. Based on anticipated transfer activity, DRS will require the PERS Plan 3 record keeper to have a minimum of three full-time dedicated education service representatives.

These presentations will include basics of investing, including investment concepts and investment risks and returns and how the PERS Plan 3 options fit on the risk/return continuum. The seminars must also describe the differences associated with the monthly valued WSIB TAP fund and the daily valued Self-Directed options. All seminars must be conducted by educational personnel qualified to provide information on the investment offerings under PERS Plan 3.

Respondents should base their fee proposal on presenting a minimum of 300 seminars per year. If respondents propose conducting more meetings, this should be indicated, with the associated cost, under additional/deleted services in the fee proposal.

Distribution Seminars

The PERS Plan 3 record keeper will also be responsible for developing and presenting PERS Plan 3 distribution seminars. The current TRS Plan 3 distribution seminars focus on the distribution options available for Plan 3 members, and last approximately one hour. Since July 1997, the current record keeper has conducted 50 distribution seminars attended by 369 members. The record keeper will be expected to develop the curriculum and materials with DRS involvement and approval.

Alternate Communication Format

The record keeper will be required to coordinate with state agency, higher education and local government employers to schedule appropriate rooms for group and individual sessions. All sessions must be held in locations that meet the Americans with Disabilities Act (ADA) accessibility criteria, and reasonable accommodations must be made for members and their spouses with disabilities. It is recommended that members be asked if they require any reasonable accommodations for disability when registering for group and individual sessions. The record keeper must also coordinate with organizations representing members, who will assist in notifying members and encouraging attendance at education sessions.

The record keeper will also need to produce communication materials in alternate formats upon request by DRS.

2.2 ENROLLMENT

Initial Member Record Set Up

Under PERS Plan 3, a new member will likely complete the following forms at time of enrollment:

- an enrollment form,
- a member information form (contribution rate and investment program² selection), and
- a beneficiary designation form.

DRS and participating agencies, institutions and local employers are responsible for the enrollment process as well as setting up and maintaining all member data except as described below.

Once all member enrollment data has been received, DRS will transmit, to the record keeper through electronic transmission, a data file with the information necessary to set up the member's account record and to invest the contributions. This information will include the amount of the member's contribution, as well as other information. See Exhibit 11 for an example of the current file layout used for TRS Plan 3 and SERS Plan 3. DRS anticipates that the file layout will be updated to incorporate any new PERS Plan 3 requirements. It is expected that a data file containing this new enrollment data will be transmitted to the record keeper daily. Data must be posted and available on the record keeper's record keeping system within one business day of receipt of data. The record keeper will also be required to mail to members, at their address of record, confirmation of enrollment letters confirming the member data sent from DRS including such items as, member name, address, Social Security Number, member's beneficiary, and investment allocation. These letters must be mailed within five business days of the record keeper's receipt of the enrollment information from DRS.

Self-Directed Investment Allocation

During the enrollment process, DRS and the member's employer collect only the member's investment program election (the member's choice of WSIB-TAP or the Self-Directed investment program). A member who selects the Self-Directed investment program will be instructed to contact the PERS Plan 3 record keeper to make their Self-Directed investment allocation election. While a member must be permitted to make his investment allocation using a paper form, employers and DRS will encourage the member to call the record keeper's customer service center.

² Investment program selection is defined as choosing between the WSIB-TAP program and the Self-Directed program.

At the time of the initial PERS Plan 3 implementation, it is important to note that due to the time needed for the employer and DRS to process and submit the member's enrollment record to the record keeper, in a few instances members will call the record keeper's customer service center to make their Self-Directed investment program election before the record keeper has received the member's enrollment information. For that reason, the record keeper will be required to obtain basic member identifying information (name, location, SSN, etc.) and the member's investment allocation election over the telephone or from the paper election form which members mail directly to the record keeper. To assist the record keeper with this effort, prior to March 1, 2002, DRS will provide the record keeper with an electronic file containing all the "potential" PERS Plan 3 members. This information will be used by the record keeper to identify members who contact them to establish their investment allocations prior to the record keeper receiving the electronic enrollment information from DRS.

This information must then be suspended and matched with the member's initial enrollment record and contribution amount when transmitted by DRS. The investment allocation election must be applied to the contribution and transfer balance. Note: The default Self-Directed investment election is the Money Market Fund.

Transfers from PERS Plan 2 to PERS Plan 3

Transfer from PERS Plan 2 to PERS Plan 3 are processed daily during the transfer periods. An additional fund may need to be established to store investment program and system transfer allocations awaiting a WSIB-TAP valuation because funds are only allowed to move into and out of the WSIB-TAP Funds on the second business day of the month. The record keeper and DRS will determine if a holding account is required for pre-TAP investment program funds.

2.3 CONTRIBUTION PROCESSING

DRS collects member contribution data received from the various public employers. Employers submit the detail for each payroll (or correction payroll) to DRS for balancing. Employers report contribution transactions and dollars to DRS on a lag cycle. The contribution information is due at DRS by the 15th of the following month. Once DRS has balanced the contribution data with the amount deposited to the Office of the State Treasury (OST), DRS transmits Self-Directed and WSIB-TAP contribution detail to the record keeper. DRS transmits this data via electronic data transmission and makes a transmission virtually every business day.

The record keeper must process the member contribution detail sent by DRS, including negative contributions and adjustments, using each member's current investment program manager and investment allocation election if the member is in the Self-Directed investment program. For new members, if they do not specify an investment manager or a contribution rate, they default to contribution rate option A (5%) and to the WSIB-TAB. If no investment allocation for the Self-Directed option is on file with the record keeper, member contributions default to the Money Market Fund.

When members re-enroll, their investment allocation from prior to leaving PERS Plan 3 is used unless a new allocation is provided. If a re-enrolling member never had an investment allocation, then member contributions in the self-directed program default to the Money Market Fund. If a member's investment allocation comes to less than 100%, the remaining portion defaults to the Money Market Fund. Similarly, if a member's allocation is greater than 100%, the entire contribution defaults to the Money Market Fund.

Short-Term Investment of Contributions

Because employers may send contribution amounts and contribution detail separately to DRS, the custodial bank may receive funds prior to the record keeper receiving the contribution detail from DRS. The detail is usually received by the record keeper by the 15th of the following month, which may be one to three weeks after the custodial bank receives the funds. The detail that the record keeper receives will specify all pertinent information necessary to process the contribution on its record keeping system.

While waiting for receipt of the contribution detail from DRS, the custodial bank deposits the pending contribution funds in the Plan's Short-Term Investment Fund (STIF). When the detail is received, the record keeper must balance the detail to the money deposited with the custodial bank earlier and post the transactions to the member accounts "as of" the date the money was actually received by DRS. The appropriate portion of the STIF's earnings is allocated to each member's account. For example, if a member's contribution was wired to the STIF by the OST on the 8th and the contribution detail was received by the record keeper and posted on the 20th, the member will receive a share of STIF earnings based on the amount of the member's contribution and the 12 days that it was in the STIF. In this example, a member might have had a \$100 contribution that when actually posted to his/her account was \$101. STIF earnings are separately identified in posting the contribution to the member's account and are reflected as earnings (see "A Guide to Your Quarterly Statement" Exhibit 8).

Custody of Assets

Coincident with DRS completing the deposit of the contributions to the appropriate accounts at the OST, it also gives OST wire transfer instructions. These wire instructions represent a reconciled summary of the amount of the contributions that need to be wired to the custodial account. The OST then wires the contributions to the State's custodial bank.

The record keeper will receive an electronic file of the daily cash activity which will reconcile to the amount given to OST. The record keeper will use this file to reconcile to the member activity when it arrives from DRS. See Exhibit 11 for examples of the daily cash activity file used for TRS Plan 3 and SERS Plan 3.

The record keeper will be required to provide net trade instructions to the investment managers and the custodial bank, representing the aggregated instructions for the day for all transactions. The custodial bank acts upon these instructions, moving the funds between the appropriate investment accounts. The record keeper must also provide information to the custodial bank on how much needs to be wired through the OST to the Plan's disbursement account for processing of disbursements to members and beneficiaries.

Crediting Contributions to Investment Options

Once a contribution is posted on the "as of" date, it is handled differently if the contribution is made to the WSIB-TAP Fund or the Self-Directed investment options.

Self-Directed

For the Self-Directed investment options, the record keeper instructs the custodial bank to invest the money with the investment provider within one business day of the "as of" posting date.

WSIB-TAP Fund

Contributions cannot be invested in the WSIB-TAP Fund until the beginning of the next month. For example, contributions posted during the month of March are not sent to the WSIB for investment until the beginning of April. Since the WSIB-TAP Fund has almost a month lag in its valuation, it is necessary to segregate the current month contributions from the prior month contributions – in this example, current month contributions are not credited for record keeping purposes until the end of April. April contributions begin in April, but the WSIB doesn't calculate the March 31st valuation of assets until about April 27th or 28th, so close-out for March contributions doesn't occur until the end of April. During the March month-end valuation process that occurs at the end of April, the March contributions are "swept" into the WSIB-TAP Fund, but do not

receive the March valuation (since they received STIF for March). They then are part of the WSIB-TAP Fund and receive April WSIB-TAP Fund earnings (which are not reflected in the member's account until the end of May).

Suspense Items

When an employee contribution or transaction is requested and, due to lack of sufficient information or other causes, it is unclear how it should be processed, the record keeper suspends that item. The record keeper maintains a subsidiary record of all suspense items, prepares a daily edit report of all items, and transmits the edit report to DRS each day by 4:00 p.m. Pacific Standard or Daylight Savings Time. The record keeper researches and resolves each item on the edit report within seven business days or less. DRS provides assistance as necessary to resolve suspense items.

If there is a change in investment value, including interest, between the time the suspense item should have been invested and the time it is ultimately invested, if the investment value has increased, and the record keeper caused the suspense item to occur, the record keeper contributes the difference between the initial contribution amount and the price of the investment when it is actually purchased. In the event the investment value has gone down, the entire initial contribution amount will be utilized to purchase the investment at its current price so that this is no gain or loss to the record keeper. Conversely, if DRS or an employer makes the error, the record keeper is required to calculate the lost earnings and notify DRS of this additional amount within three business days.

The record keeper maintains and reports to DRS a monthly suspense account balance reflecting all unpaid and uncleared transactions with corresponding occurrence dates. Under TRS Plan 3, currently there have been less than ten transaction items.

Special Processing

In addition to regular employee contributions, there are a number of special contributions that must be processed, including:

- Service Credit Purchase
- Gain Sharing
- Transfer Payment

The record keeper must account for these special contributions separately and they must be reflected on the member quarterly statement of account (Exhibits 7 & 8).

Vesting/Transfers of Employment

Since these are employee mandatory contributions, employees are always vested 100 percent in their PERS Plan 3 defined contribution account balance. All service data is maintained by DRS and does not need to be reflected on member statements. If a member changes employers, DRS will notify the record keeper of the change in the employer through its regular electronic transmission of data.

2.4 CHANGES TO INVESTMENT DIRECTIONS

Future Contributions

Members can elect to have their contributions made either to the WSIB-TAP Fund or to the Self-Directed investment program. Members cannot direct contributions to WSIB-TAP and the Self-Directed program simultaneously for the same employer; however, members are permitted to change which investment program their future contributions are directed.

To make a change, to which investment program future contributions are directed, a member completes an election form and submits it to his employer. The change is recorded by DRS and transmitted to the record keeper. This affects the direction of the next contribution processed by DRS for that member.

Transferring Account Balance or Program to Program Transfers

Members can choose to transfer their accumulated PERS Plan 3 account balance between the WSIB investment program and the Self-Directed investment program. The record keeper is responsible for processing the program to program transfer. Currently the member initiates this process by:

- Completing a paper form and mailing it to the record keeper, or
- Calling the record keeper's customer service center.

Details on the current timing of the program to program transfers are provided in the Procedures and Requirements Document (see Exhibit 1).

Members who change which investment program their future contributions are directed to are not required to initiate a program to program transfer. They are permitted to maintain account balances in both investment programs; however, they will be charged the respective fees for each program.

Investment Allocations for Members Contributing to Self-Directed Investment Program

Members who are changing from directing their contributions to the WSIB-TAP investment program to the Self-Directed investment program

will be instructed by their employer or DRS to contact the PERS Plan 3 record keeper to make his/her Self-Directed investment allocation election. While a member must be permitted to make his investment allocation using a paper form, employers and DRS will encourage the member to call the record keeper's customer service center.

Since the member already has a member account record on file with the record keeper, it is expected that investment election allocations can also be processed using voice response or the Internet.

As noted in the enrollment section, should a member selecting the Self-Directed investment program not make an investment allocation election using any of these methods, the member's contributions will default to the Money Market Fund.

2.5 FUND TRANSFERS

Within Self-Directed Investment Program

The record keeper will be required to permit members with assets in the Self-Directed Investment Program to make transfers of assets within the Self-Directed Program on a daily basis by:

- Completing a paper form and mailing it to the record keeper,
- Calling the record keeper's customer service center, or
- Using the record keeper's voice response system or the Plan 3 interactive Web site.

The record keeper must compute the amount of transfers between the Self-Directed Investment Program for all instructions received in good order from the member by 4:00 p.m. Eastern Standard/Daylight Savings Time using that day's Net Asset Value (NAV), closing price or value. The record keeper must instruct both the Plan's custodian and investment managers (SSGA, WSIB and Barclay's) to make the appropriate changes among the options. Currently, the investment managers are as follows; however, WSIB and DRS reserve the right to change or add to these investment managers at any time

Money Market Fund	State Street Global Advisors
Bond Market Fund	WSIB
U.S. Stock Market Index	Barclay's Global Investors
U.S. Large Stock Market Index	Barclay's Global Investors
International Stock Market Index	State Street Global Advisors
U.S. Small Stock Market Index	Barclay's Global Investors

Pre-Mixed Portfolio Funds

The record keeper will also be required to accommodate transfers for the three pre-mixed portfolio options (model portfolios) offered under the Plan. These pre-mixed portfolios consist of the following static percentages of the underlying plan investment options:

Portfolio	Short-Horizon	Mid-Horizon	Long-Horizon
Target Allocations	46% Bonds	46% Bonds	20% Bonds
	19% Domestic Stocks	38% Domestic Stocks	58% Domestic Stocks
	10% International Stock	16% International Stocks	22% International Stock
	25% Cash		

The portfolios are unit-valued. WSIB is responsible for striking the daily unit values and rebalancing the portfolios. The record keeper will receive the daily unit values from WSIB and be responsible for processing transfers on a daily basis.

To/From WSIB-TAP Fund and Self-Directed Options

Members have the ability to transfer assets between the monthly valued WSIB-TAP Fund and the daily valued Self-Directed funds. Since the WSIB-TAP Fund is monthly valued, requests for transfers to and from this fund must be pended until processing at month end. Transfers are netted, and the WSIB, the custodian and SSGA and/or Barclay's Global Advisors are advised of the net amount. Money is then transferred on the second business day of the next month. The record keeper mails a single confirmation statement to the member reflecting both sides of this transfer. The statement must be mailed to members within five days of the transfer.

2.6 DISTRIBUTIONS

In-Service

No in-service distributions are permitted under PERS Plan 3.

Termination

Employers notify DRS of all terminations. In its regular data transmission, DRS notifies the record keeper of the change in the employee's status code. Members are permitted to leave their contributions in PERS Plan 3 until their required starting date, the April 1 following attainment of age 70-1/2.

Members who wish to initiate a distribution of their account must complete a Distribution Election Form. Currently, the record keeper receives the forms and verifies with DRS the member's termination date. If the member has a termination date, the record keeper will disburse the member's account balance unless there is a legal order. DRS electronically transmits legal order flags to the record keeper (see Daily Activity Record Layout, Exhibit 11).

Distribution Options – WSIB-TAP

Lump sum, installment payments and rollovers are currently permitted from the WSIB-TAP Fund. These options are described in the *Plan 3 Request for Payment of Defined Contribution Funds* brochure included in Exhibit 12. However, by July 1, 2005, the ERBB is required to make available optional actuarial equivalent life annuity benefit payment schedules for PERS Plan 3 members participating in the WSIB-TAP Fund.

DRS is requesting information on how your company would handle these services and estimates of the additional costs for these services in the fee proposal. For purposes of a fee estimate, assume that the following annuity products would be required:

- Basic Annuity -- A benefit for the life of the member that would include a COLA similar to the current defined benefit COLA in Plans 2 and 3 (indexed to CPI, capped at 3 percent annually). The member would have the option of taking a reduction to provide a joint and survivor benefit.
- Simplified Participating Annuity -- A benefit for the life of the member. Instead of a COLA based on inflation, the retiree would receive an annual adjustment based on WSIB investment returns. The member would have the option of taking a reduction to provide a joint and survivor benefit.
- Bridge Annuity -- A higher amount paid to the member until the member's defined benefit becomes payable, at which time a reduced amount is paid to the member for the member's life. The annuity and the defined benefit would combine to result in a level payment for the member's life. The benefit would include a COLA option, and the member would have the option of taking a reduction to provide a joint and survivor benefit.

Distribution Options - Self-Directed

In addition to the ability to rollover to other qualified plans, many payment types, including annuities and personalized payment schedules, are permitted from the Self-Directed options and are described in the *Plan 3 Request for Payment of Defined Contribution Funds* brochure included in Exhibit 12. For information only, data on recent distribution activity for TRS Plan 3 is included in the ERBB Monthly Report, Exhibit 13.

The record keeper will be required to provide an annuity shopping service for Self-Directed members who wish to receive their distribution as an annuity. For members in the Self-Directed program who are considering annuity distribution, the record keeper will provide annuity distribution illustrations and make the annuity purchase for the member. The record keeper must obtain purchase rates from at least three companies that meet minimum qualifications agreed upon by DRS.

Distribution Processing

The record keeper processes both Self-Directed and WSIB-TAP withdrawals. DRS receives the termination date information from the employer and electronically sends it to the record keeper. The record keeper must electronically notify DRS of all withdrawal requests made by members, beneficiaries or legal order payees. The record keeper must electronically notify DRS of all lump sum withdrawals, all WSIB installment payments and all Self-Directed installment payments. See Exhibit 11 for an example of the member feedback record layout for distribution processing. All WSIB and Self-Directed installment payments must be reported to DRS so that money can be wired from the OST to the custodian.

The record keeper must also provide distribution counseling and information to members who contact the record keeper. The record keeper must also prepare and provide to members a distribution options brochure and provide PERS Plan 3 information on the Web site. Members wishing to initiate payment of their PERS Plan 3 account balance will be instructed to send their distribution election form to the record keeper. The record keeper will issue payments by check, electronic direct deposit and wire or electronic fund transfer for all members with the appropriate authorization code. The record keeper must provide written confirmation to the member and DRS for payments made by electronic direct deposit, wire or electronic fund transfer.

Due to the different valuation schedules, the record keeper will make separate benefit payments from WSIB-TAP and the Self-Directed options. For example, since the WSIB-TAP Fund is valued monthly, lump sum payments cannot be paid until the second business day following the month-end valuation. A member wishing to take a lump sum payment submits a fully completed form to the record keeper on May 20th, the lump sum payment will be the member's TAP fund account value on May 31st. Since the May 31st valuation is not calculated by WSIB until about June 25-28, the amount of the payment must be calculated and processed after the June month-end processing. Periodic payments are processed on a similar schedule.

The record keeper is responsible for all member federal and state income tax withholding and for providing DRS with the appropriate information. The record keeper is currently responsible for reporting benefit payment information to the IRS. The record keeper shall be solely responsible for any tax penalties and/or interest that may arise due to errors it made in remitting withheld amounts to the appropriate government authorities or in reporting this information to DRS.

Death Benefits

Upon notification from DRS of the death of a member receiving periodic distributions, the record keeper shall cease benefit payments and make the necessary changes to begin making instructed payments to the member's beneficiary(ies). The record keeper makes corrections and adjustments to income tax withholding and deposits as necessary, as instructed by DRS.

2.7 RECORD KEEPING

This procurement is for record keeping and related services only. The WSIB may make changes to the investment management services provided to PERS Plan 3 which would be obtained through a future procurement process. The successful respondent will not be prohibited from proposing to provide investment management services; however, the WSIB will conduct any procurement process without regard to any company's role in providing record keeping services to the Plan.

The record keeper will be required to provide record keeping for member accounts for both the monthly valued WSIB-TAP Fund and the daily valued Self-Directed options (see PERS Plan 3 Summary on page 6 and the sample *Plan 3 Investment Guide* included in Exhibit 5).

Changes to Fund Managers

All decisions regarding the investment funds and fund managers offered under PERS Plan 3 are made by the WSIB. The WSIB functions as the investment advisor to the Plan. The WSIB conducts periodic reviews of the investment funds/managers and recommends changes to the funds/managers, as appropriate.

It is possible that, as a result of WSIB's ongoing review and advice, there may be changes to a fund's sub-management at any time. The record keeper must assist DRS in implementing any changes to the underlying fund managers and communicating them to members at the investment education group meetings described in Investment Education Workshops. Since the investment options are communicated to members by fund type only, any changes made by the WSIB would be transparent to members.

DRS recognizes that respondents must be able to calculate their proposed fees based on the complexity of possible investment lineups and potential changes to those lineups. While no immediate changes are expected to be made to the current fund lineup, it is possible that during the course of the contract that the current fund options might increase to a maximum of 15 options. It is estimated that up to two Plan 3 Investment Options fund sub-advisors could change per year and that the record keeper might have to interface with as many as six different sub-advisors at any given time. No significant changes are expected to be made to WSIB-TAP.

Investment Valuation

A timeline for the activities described briefly below is included in the *Plan 3 Investment Guide* brochure included in Exhibit 5. Additional detail is in the Procedures and Requirements document in Exhibit 1.

WSIB-TAP Fund

The record keeper will be required to provide monthly valued record keeping services for the WSIB-TAP Fund, which is part of a commingled trust fund managed by the WSIB. WSIB notifies the record keeper by fax of the month-end value of WSIB-TAP Fund assets approximately 25–28 days after the end of the month. The valuations are net of all investment management fees and expenses.

Once the previous month-end valuation is received from the WSIB, the record keeper runs the month-end process on the second to last business day of the following month. Transactions posted during this process include contributions during the period, adjustments, benefit payments, and transfers to and from the WSIB-TAP Fund and the Self-Directed options. Money can go in and out of WSIB-TAP only once a month.

Self-Directed Funds

The Self Directed options, including the portfolio funds, are valued daily. They are unitized funds. The daily unit values are provided by WSIB, or SSGA and Barclay's, the current fund managers, as of the close of each business day. The unit values are net investment management fees and WSIB's investment advisory fee. The record keeper's fees are currently also netted out of the daily unit value.

Account Information

The record keeper maintains records associated with an individual's account, including, but not limited to: investment balances, contributions (all types), distributions, earnings, administrative fees, address, beneficiary designations, and any other information necessary for the proper administration of a member's account. For retired/terminated members, there is additional data maintained by the record keeper.

The record keeper processes all changes to individual member data received from DRS. Details and the record layouts provided to the record keeper by DRS can be found in Exhibit 11.

In addition, the record keeper will also transmit an electronic file to DRS to notify them of address changes they received directly from the member. See Exhibit 11 for an example of the current TRS Plan 3 and SERS Plan 3 record layout.

The record keeper is also responsible for calculating the amount of all administrative fees, deducting that amount and instructing the appropriate amounts to be withdrawn from the trust for appropriate disbursement from Self-Directed member accounts. Those administrative fees cover the costs of plan administration including the record keeper's fee.

The WSIB-TAP fees will be assessed as a flat fee amount. The structure of the fee schedule for the Self-Directed Investment Program has not been determined, although it may be asset-based as in TRS Plan 3 and SERS Plan 3. The fees may be collected on either a disclosed or undisclosed basis (netted from returns prior to crediting of returns) or both. The fee schedule may be a per-member fee, an asset-based fee or a combination. DRS may also require the record keeper to collect fees in a manner that would limit the amount of fees collected on large individual account balances such as a graduated asset fee. Members are not charged an additional administrative fee for the WSIB Investment Program. Members who invest in the Self-Directed Investment Program pay investment management and advisor fees as well as an additional administrative fee.

The record keeper may be required to enter into contractual arrangements, on DRS's behalf, with investment companies providing services to the Plan. The contractual arrangements may include preferential timing of transactions and/or obtaining compensatory payment for conducting individual member account record keeping. Any payments negotiated by the record keeper, DRS or its representatives would need to be collected by the record keeper and used to offset Plan costs on a disclosed basis.

DRS is responsible for qualifying and approving all information and distributions related to Qualified Domestic Relations Orders (QDRO) and other applicable division orders. However, upon qualification of an order, DRS will notify the record keeper of the terms of the order. While DRS is the primary record holder, the record keeper maintains on its record keeping system a field in which the order information is recorded and updated. Segregated account balances, as required, are maintained by the record keeper.

Member Statements

The record keeper is required to prepare and mail (by first-class mail) to the member's address of record, quarterly member statements of account activity that will include beginning and ending balances and activity during the period (contributions, withdrawals, and investment returns). All information shall be provided in both dollars and share/unit value (see Exhibit 7, sample member statement). The statements include plan-to-date contributions, comparative charts of asset allocation, year-to-date contributions, and net gain or loss, as well as the various special reporting features, including:

- Pending transaction account
- STIF balances (should net to zero at end of quarter)
- Plan entry date
- Special contributions, such as bill payments, gain sharing, etc.

The record keeper must send the statements of account activity to members' addresses of record no later than twenty calendar days following the quarter's end; for WSIB-TAP members, twenty calendar days from the end of the final month of the quarter's evaluation (e.g., the June 30 statement for TAP would be mailed by August 20). To accommodate the time lag on the valuation of WSIB-TAP, members with account balances in both WSIB-TAP and Self-Directed receive two statements at different times.

A quarterly newsletter shall be provided by the record keeper, edited and approved by DRS. The record keeper will be responsible for printing the newsletter and inserting it into the quarterly statements of account.

Plan Level Reporting

A complete listing of the reports identified for the SERS Plan 3 and TRS Plan 3 defined contribution plan is outlined in Exhibit 1, "*Procedures and Requirements Document*." Final PERS Plan 3 report requirements have not been determined.

The record keeper shall provide DRS with detailed costs associated with any new or proposed legislatively mandated programs what would materially change the PERS Plan 3 program. In addition, the record keeper prepares and maintains special purpose reports and other material as determined by DRS for the proper administration of the Plan.

Confirmations

The record keeper will generate member confirmation letters for each of the following situations:

- New Members (Welcome Letter)
- Fund Transfer

- Allocation Change
- Portfolio Rebalance
- Address Change
- WSIB to Self-Directed Investment Program Transfer
- Self-Directed to WSIB Investment Program Transfer
- PIN inquiry/PIN change

See Exhibit 14 for examples of some of the current record keeper confirmation letters.

On-Line Access

DRS requires the ability to read member data on the record keeper's system. The record keeper must provide DRS with a method, in a format acceptable to DRS, to accomplish this.

If a member cannot use technology to make balance transfers and/or allocation changes directly, then a paper form is still available. The form typically will be sent to the record keeper by the member. In the event that it is sent to DRS, the agency may use electronic transmission to update those items.

The record keeper must maintain a data monitoring system that flags any changes to a member's account, and identifies where the change was originated; for example, transactions from DRS, the record keeper or member initiated changes through the record keeper's voice response system.

The on-line system must be compatible with DRS's current computer system, or some other alternative acceptable to DRS. The on-line system must provide DRS with connectivity to member data, which is current as of the completion of the valuation process for the prior business day.

2.8 CUSTOMER SERVICE

The record keeper shall maintain an adequate number of staff and an adequate number of toll-free telephone lines with voice response capabilities and Internet access to provide the required services. The record keeper will be required to respond to customer phone calls within 30 seconds. Both VRU and Internet access will be available 24 hours a day, with the exception of the time necessary for the normal maintenance of the system and updating of information. This telephone number must be TDD/TTY capable. The VRU must provide the following information and services to the member from a touch-tone telephone:

1. General plan overview information including how to reach a customer service representative at DRS, how to reach the various

- investment firm's customer service representatives, and other topical information.
2. Current account balance, broken down by investment option and by each plan (if applicable).
 3. Current interest rates.
 4. Current unit values or share prices.
 5. Daily changes in share prices or unit values.
 6. Inquiries about current investment election (allocation of contributions).
 7. Changes to allocation of future contributions.
 8. Transfers of existing assets between investment options.
 9. Change of PIN (Personal Identification Number).
 10. Requests for plan informational brochures and forms.

The customer service representatives must be available to answer member questions between the hours of 8:00 a.m. Pacific Standard/Daylight Savings Time and 6:00 p.m. Pacific Standard/Daylight Savings Time each business day. All telephone calls must be recorded, and tapes of these calls maintained in a retrievable location for at least 90 days. The record keeper will provide members initiating transactions via customer service representatives with a confirmation number followed by a written confirmation, which shall be mailed directly to the address on file for the member within three business days.

In addition, the record keeper must provide DRS with monthly reports on service center activity including, but not limited to, purpose of calls, abandoned calls and voice response system and Internet usage. (See Exhibit 15 for a sample activity report).

The record keeper will ensure that the personnel answering the customer service lines are qualified to provide information on the investment offerings under PERS Plan 3 and to discuss investment concepts and retirement planning considerations. The record keeper shall ensure that such information is provided in a manner consistent with the requisite insurance and securities laws, and that all personnel who provide such information shall be properly licensed with all required regulatory agencies, if applicable. At the request of a member, the record keeper shall review and explain investment alternatives and past investment returns. If unavailable at the time of a phone call, the record keeper's representative shall call back a member on the next business day. The record keeper must provide telephone assistance to members who are taking a distribution under the Plan, and advise members of payment options.

Inquiry services available through the VRU and Internet must use the most current available share prices, unit values and account balances as of the previous day.

Changes to investment allocations must be made to the member's record on the date they are requested. Investment transfers received by 4:00 p.m. Eastern Standard/Daylight Savings Time must be made on the next business day using the previous day's NAV or value.

The record keeper will provide members using the VRU or Internet access to effect a transaction with a confirmation number followed by a written confirmation, which shall be mailed directly to the address on file for the member within three business days. An error committed by the record keeper through the VRU, the Internet, or in regular processing shall be corrected and processed as of the effective date of the original transaction.

Any errors made by the record keeper shall be corrected at the record keeper's expense so that the value of the member's account is not less than it would have been had the error not occurred. The record keeper will mail written confirmation of the correction to the address on file for the member within five business days after the correction is made.

The record keeper must respond to member questions and complaints. The record keeper will bring any complaints not resolved within 30 calendar days to DRS's attention.

The record keeper must provide a proposal for DRS review and approval for formally assessing member satisfaction with the record keeper's services and how member and/or employer satisfaction issues would be identified, reported, and corrected.

2.9 COMPUTER SECURITY

The record keeper must keep duplicate or back-up computer data files maintained in connection with the plan at an alternate site. Maximum recovery time can be no more than 24 hours. Additionally, the record keeper must have a disaster recovery plan in effect and will be required periodically by DRS to provide evidence that the system has been tested within the last 12 months.

All computer data files of the Plan, as maintained by the record keeper, shall at all times remain the property of DRS, notwithstanding the fact that such records may be stored upon or within one or more computer or data retention systems owned, operated or leased by the record keeper. DRS or its representatives shall, at all reasonable times, have access to the records. To the extent that any such records are to be maintained upon a computer system, or any other data retention system which is not owned by the record keeper, the record keeper shall provide DRS with assurances from the owner of such computer facilities, satisfactory to DRS, of the continued availability and security of such records at all times.

The record keeper must also demonstrate to DRS that the system used for record keeping for PERS Plan 3 will have an adequate capacity to handle the volume of records generated and daily transmittals. In addition, the record keeper needs a test environment that is accessible by DRS project staff and has the capability of emulating the record keeper's production environment, complete with daily and monthly posting cycles. The record keeper must have program version software in place to control software development.

2.10 PLAN LEVEL SUPPORT ACTIVITIES

DRS may require adjustments to member accounts due to occasional discrepancies in the contribution detail provided to DRS by employers. The record keeper provides cost estimates to DRS and makes the corresponding adjustment to members' accounts. DRS wires the money to the record keeper two days later to cover the cost of the adjustments. The record keeper sends a letter to the member and the member's employer explaining the dollar cost for the adjustment. For TRS Plan 3, there were 472 adjustments for the year ending December 31, 1999.

The record keeper sets up, on DRS's behalf, all investment-related accounts.

The record keeper collects from member accounts all administrative and transactional fees in the manner directed by DRS. It is expected that the fee structure may include an asset based structure, a per-member schedule, or a combination. If an asset based fee is charged, it may have a graduated component so that members with large account balances will pay less as a percentage of their account balances, although there may continue to be a flat dollar component to the fee schedule. There may also be transaction-based fees. In addition to the capacity to deduct fees from member accounts in a variety of ways.

The record keeper reconciles investment accounts for each plan with investment providers, trust and custody records. DRS records these monthly and the record keeper provides a copy of the monthly financial reports and reconciliation summary to DRS within ten days of month-end. The monthly financial report reconciliation summary for each plan shall be in a form acceptable to DRS.

The record keeper must provide copies of the statements of account activity on CD-ROM to DRS within ten days after 95 percent of the statements have been mailed.

The record keeper shall provide, 30 days prior to the implementation date, a manual of tasks, rules, and procedures for operation of the Plan,

including a description for record keeper employees of how all services to be provided hereunder will be performed. The record keeper will review this manual and update it if necessary, and shall submit such changes to DRS for review and approval.

The record keeper will have adequate qualified personnel available to conduct at DRS offices, at least semi-annually, complete and detailed training sessions for DRS staff on the record keeper's systems and processing methodology, including instruction on how to use the on-line access system.

The record keeper shall perform any and all administrative functions necessary to ensure the thorough and accurate financial accounting essential for each party's financial records.

The record keeper shall research and resolve, with DRS's assistance, any member statement of account not received by the member but returned to the record keeper and provide a summary report to DRS within 30 days of mailing statements.

The record keeper shall ensure that DRS has a qualified account service representative available on a fully dedicated basis to provide timely and comprehensive assistance with all aspects of the record keeper's services.

2.11 IMPLEMENTATION OF SERVICES FOR PERS PLAN 3

The record keeper must have its record keeping system for PERS Plan 3 tested and functional no later than **February 1, 2002**, and have an implementation team on-site in Olympia, Washington, by **December 1, 2001**.

The record keeper must provide any requested advice related to the implementation and record keeping to DRS and establish written and actual procedures for handling all member activities.

The record keeper shall accomplish the following tasks during this implementation period:

1. Provide an implementation plan that outlines the specifics on how the implementation process will be completed. A record keeper implementation team must be on-site in Olympia, Washington, for the three month period before and the one month period following the effective date of the assumption of record keeping services.

The successful respondent will be expected to work with DRS to craft an implementation project plan for developing a compatible

system that feeds data back and forth from the record keeper and DRS, in a manner determined by DRS, to successfully administer the Plan. The successful respondent will need to be on-site at DRS prior to the start up of the Plan to validate that requirements have been appropriately determined, systems have been designed to meet DRS requirements, and adequate testing has been completed to ensure the systems handle data appropriately and are robust enough to deal with the transaction volume. The successful respondent will also work with DRS staff to provide staff training on all aspects of the record keeping system and (working with DRS) ensure that all necessary procedures have been addressed and documented. The post implementation time will be used to address system and business issues that were not anticipated at the time of start up, if necessary.

1. Send a written communication to all members electing to transfer to, or enroll in, PERS Plan 3 describing the various services the record keeper will be providing and how to access them. A brochure on how to use the VRU and Internet access must be included.
2. Develop and provide to DRS an initial and on-going communication and education plan. The on-going plan must be reviewed, updated and submitted to DRS annually.
3. Establish contacts with appropriate DRS staff and departments.
4. Hire necessary staff.
5. Establish member master files through electronic transmission from DRS.
6. Set up interfaces with all investment fund companies, the Plan custodian and WSIB, and arrange for change of authorizations as needed.
7. Pay a financial penalty of \$1,000 per day for each day that the record keeper misses the agreed upon implementation dates.
8. Cooperate with DRS to establish administrative rules for operation of the Plan as may be required, and prepare a Manual of Tasks, Rules, and Procedures for use by DRS.
10. Establish written and actual procedures for handling all member activities including transfers, employee contributions, rollovers, and termination/withdrawals.

11. Train DRS staff on accessing and using the record keeping system.

The record keeper's assistance shall be provided in such a manner that an implementation plan audit can be completed by DRS within 90 days after the implementation date.

2.12 CONTRACT TERMINATION

Upon termination of the contract, the record keeper shall cooperate with DRS in an orderly transfer of administrative responsibilities and records to DRS or its representatives. Specifically, the record keeper will provide the information and services as stated in this section. In the event that DRS elects not to renew its contract at the end of its term or extension, or otherwise terminates the contract for any reason, the record keeper agrees to cooperate in the transition to the new record keeper.

This contract may be terminated for cause by DRS thirty days from receipt of written notice from DRS to the record keeper without the payment of any financial penalty or obligation to the record keeper by DRS. For purposes of this contract, cause is defined as failure of the record keeper to fulfill the obligations of this contract. DRS shall pay all fees accrued to the date of termination minus penalties.

DRS has the right to terminate the contract by giving written notice to the contractor at the address previously given in this contract, at least five business days before the effective date of termination.

In the event DRS elects to contract with a new record keeper upon termination or expiration of its contract, the record keeper will fully cooperate with DRS and the new record keeper in making the transition. The record keeper will provide documents and computer files as described in this section, and generally assist the new record keeper and DRS in learning the content of such documents and files, or otherwise as will be mutually agreed upon between the record keeper and DRS. The record keeper will have no written or telephone contact with members except as authorized by DRS.

Data requirements of DRS to effect this transition/conversion to a new record keeper include, but are not limited to the following:

1. File descriptions and narratives for input and output files as will be mutually agreed to between the record keeper and DRS. The record keeper agrees to provide all information that resides in the record keeper's computer files relating to DRS member accounts, including individual member account history that DRS reasonably requires for the transition and for the permanent records of DRS.

2. Sub-contracted procedures or third-party agreements shall be fully documented by the record keeper, and all source documents and disclosures of member selections or investments shall also be made available.

Reports, Information and Access Upon Termination

In the event that this contract is terminated or is not renewed after the stated contract term or extension, the following account related materials, services and/or data will be provided to DRS by the record keeper:

1. A complete financial report for the Plan including the latest activity by each investment provider company (deposits, transfers in and out, withdrawals, fees/charges, earnings and adjustments); also a full reconciliation of total plan assets as of the “close-out” date.
2. A listing of any items requiring adjustment/correction as of the “close-out” date.
3. Staff and records reasonably needed to allow for the timely completion of the annual financial audit of the latest plan year for the Plan and to answer questions and to provide technical assistance during the transition period, such that the audit report can be completed within six months of the termination date.
4. All of the information described above, plus a complete historic record for each member of all contributions and withdrawals by type and the member’s years of participation.

2.13 COMPLIANCE

Plan Consulting

The record keeper shall inform DRS within 60 days of recently enacted federal tax laws and regulations, and all present or future federal tax legislation or other changes in the tax laws which may have an impact upon the record keeping and administration requirements of the Plan. The record keeper must describe the nature of any amendments to the Plan which may be required by changing conditions, federal tax laws or regulations, or which may make available to employees the most advantageous investment options and investment returns, and work with DRS legal counsel to evaluate and implement any amendments to the Plan.

Company Audits

The record keeper shall provide to DRS an annual audit report on the processing of transactions by service organizations as prescribed by

Statement on Accounting Standards Number 70, issued by the Auditing Standards Board of the American Institute of Certified Public Accountants. Two copies of this report will be delivered to DRS not more than one hundred twenty days after the close of the state's fiscal year.

Program Audits

The record keeper must provide DRS access to all back-up source materials, reports, books, records, computer programs and all other information, and documentation relating to the Plan, as reasonably required so that DRS and/or its designated officers, agents and accountants, or the State Auditor can conduct a financial examination and/or audit of the Plan.

The record keeper will cooperate fully in the annual plan audits. A separate audit is conducted for the Plan. The audits will be conducted in accordance with generally accepted auditing standards (GAAS) and will be performed on a fiscal year basis, with a fiscal year ending June 30 of each year. In addition, these audits will include certain agreed upon test procedures, including but not limited to the following:

1. Reconcile between the trustee/custodian or other party's plan asset records, the DRS's records and the record keeper's member records.
2. Reconcile revenue received by the trustee/custodian or other party with the specific revenue of the various investment options.
3. Test charges to plan assets and withdrawals from the Plan to determine compliance with trustee/custodial agreements and plan provisions.
4. Test actual investments held by trustee/custodian or other party to determine whether they coincide with actual member records.

Insurance Requirements

The record keeper shall execute and deliver to DRS, contemporaneously with the signing of the contract and prior to the contract's effective date, a performance bond in the sum of not less than \$2 million, conditioned upon and for the faithful performance and actual fulfillment of each and every term, condition, provision, and obligation of the record keeper and its officers and employees arising under this contract.

The contract shall require that the record keeper execute and deliver to DRS contemporaneously with the signing of the contract and prior to the contract's effective date, a fidelity and guaranty bond or policy of fidelity and guaranty insurance on the record keeper's officers and key employees

directly involved in the administration of the plan payable to DRS as named beneficiary in an amount of not less than \$5 million for each occurrence giving rise to payment of any part of such bond or policy.

The bond(s) or policy must be executed by an admitted company licensed to do business in the State of Washington possessing a Best's Insurance Report policy holder's current rating of "A++," "A+," or "A," with a financial rating of Class VIII or better. The bond(s) or policy must be endorsed to give DRS 30 days notice of cancellation of coverage.

The bond(s) or policy shall not be obtained from a provider with whom the record keeper has one or more of the following relationships as defined in the Financial Accounting Standards Board Statement of Financial Accounting Standards Number 57.

1. Affiliate
2. Control
3. Immediate Family
4. Management
5. Principal Owners
6. Related Parties

Complaint Notification

The record keeper shall notify DRS within three business days of discovering any errors that have an impact on the operation of PERS Plan 3.

Confidentiality and Non-Solicitation

The record keeper shall not use information obtained under PERS Plan 3 to directly solicit members with respect to any product of said company not part of the Plan. All information concerning the Plan and members is the sole property of DRS, and that information will remain confidential and not be used or transmitted to others for any purposes whatsoever, except as required to conduct PERS Plan 3 operations. The record keeper will be required to provide DRS with a written confidentiality and non-solicitation statement.

3. VENDOR QUALIFICATIONS

As of September 30, 2000, respondents must satisfy ***all*** of the following mandatory minimum qualifications as outlined below in order to be considered for the contract award.

- A. The Respondent must have \$1 billion in defined contribution assets under administration.

- B. The Respondent must have provided record keeping, administrative and employee communication services for defined contribution plans for a minimum of five years.
- C. The Respondent must have at least ten defined contribution plan accounts.
- D. The Respondent must be a direct provider of services (not a third-party broker).
- E. The Respondent must accept the written contract as supplied by DRS. The Respondent must have the approval of the Respondent's legal representative to the contract format set forth in Appendix A prior to submittal of a proposal.
- F. The key professionals and/or the organization (or affiliate) must not have a material conflict with DRS or its consultant, William M. Mercer Investment Consulting, Inc.
- G. The Respondent must agree to provide the minimum administrative, communications and record keeping services as well as all other requirements as stated in the RFP.
- H. The Respondent will be required to provide DRS with proof of errors and omissions or malpractice insurance.
- I. The Respondent's record keeping system must provide direct service that supports correction and reversal processing by DRS.
- J. The Respondent must have industry standard security, back-up and recovery capabilities to its record keeping system.
- K. The Respondent must have service-center support to meet the communication needs of DRS and participating members.

RESTRICTIONS: Any company which -- either as a parent company, subsidiary, or affiliate --is currently performing consulting services for DRS, may not compete in this procurement. The firm(s) or any subsidiary, affiliate or parent company thereof, selected as a result of this procurement may not compete during the term of the resulting contract, any extensions thereto, in any subsequent DRS procurement, the main purpose of which is to hire a firm or firms for consulting purposes. Companies holding alliance, partnership, or other business affiliations with the consultant assisting DRS in the third party record keeping and selection process, will be excluded from eligibility to respond to the record keeping RFP. Respondents must indicate their understanding and agreement to this by signing the certification and assurances statement, which is Appendix C at the end of this RFP.

4. GENERAL INFORMATION FOR RESPONDENTS

4.1 RFP COORDINATOR

The RFP Coordinator is the sole point of contact for this selection action. Throughout the duration of the procurement process, all questions and other communications concerning the procurement are to be directed, in writing, to the contact listed below. **Unauthorized contact regarding the procurement with other DRS staff or its consultant, William M. Mercer Investment Company Inc., after issuance of this RFP will disqualify the Respondent.**

Washington State Department of Retirement Systems
P.O. Box 48380
Olympia, WA 98504-8380
ATTN: Scott Koura, Project Manager, PERS Plan 3
Telephone: (360) 664-7306
Fax: (360) 753-5397
Email: scottk@drs.wa.gov

Any questions regarding this RFP must be in writing or by email, and must be received at DRS by 5:00 p.m. Pacific Daylight Savings Time, **September 29, 2000**. The questions received and the answers will be posted on DRS's Web site. The Web site address is <http://www.wa.gov/DRS/agency/vendors/>.

4.2 SUBMISSIONS

Submittal of ten copies of the proposal is required. Two copies must have original signatures and eight copies can have photocopied signatures. One of the ten copies must be unbound. The unbound copy must contain original signatures and must be marked "Master Copy."

The ten copies of the proposal shall be received at the address below, on or before, 5:00 p.m. Pacific Daylight Savings Time **October 20, 2000**.

Washington State Department of Retirement Systems
Post Office Box 48380
6835 Capitol Blvd
Tumwater, WA 98504-8380
ATTN: Scott Koura

Respondents mailing proposals should allow normal mail delivery time to ensure timely receipt by the RFP Coordinator. **Proposals may not be transmitted using electronic media such as facsimile transmission or electronic mail.** Notwithstanding the provisions of RCW 1.12.070,

postmarks will not be considered as date received for the purposes of this RFP. Late proposals will not be accepted, nor will time extensions be granted.

The outside of the proposals packaging is to clearly identify the RFP being responded to, including the RFP number (00-30).

All proposals and accompanying documentation become the property of DRS and will not be returned.

4.3 PROPOSAL FORMAT

All proposals must be on 8 ½ x 11 inch paper and placed in binders with tabs separating the major sections of the proposal. The sections shall include:

- 1) Letter of Submittal, including signed Certification and Assurances (Appendix C at the end of this RFP);
- 2) Executive Summary;
- 3) Responses to Questions;
- 4) Fee Proposal (Fee Proposal Forms are Appendix B); and
- 5) Any supplemental information the respondent wishes to include relevant to this RFP.

Responses should be in the order outlined in this RFP.

4.4 SIGNATURES

The Letter of Submittal and the Certifications and Assurances form must be signed and dated by a person authorized to legally bind the respondent to a contractual relationship, e.g., the President or Executive Director if a corporation, the managing partner if a partnership, or the proprietor if a sole proprietorship.

4.5 ESTIMATED SCHEDULE OF ACTIVITIES

Event	Date
Issue RFP	September 15, 2000
Proposals due	October 20, 2000
Evaluation period	October 20, 2000 to November 8, 2000
Interviews, if necessary	November 15, 2000
Announcement of Apparently Successful Respondent(s)	November 16, 2000
Contract negotiations	November 16, 2000 to December 15, 2000
Contract signed	January 1, 2001

Record keeper implementation team on-site in Olympia, WA	December 1, 2001 to April 1, 2002
System and member communication programs developed	January 1, 2002 to February 2002
PERS record keeping begins	March 1, 2002

4.6 FILING REQUIREMENT

Under the provisions of Chapter 39.29 RCW, this personal services contract is required to be filed with the Office of Financial Management (OFM). No contract required to be so filed is effective, and no work thereunder shall be commenced, nor payment made therefor, until ten working days following the date of filing and until approved by OFM. In the event OFM does not approve the contract, the contract shall be null and void.

4.7 FAILURE TO COMPLY

The respondent is specifically notified that failure to comply with any part of the RFP will result in rejection of the proposal as non-responsive.

4.8 REVISIONS TO THE RFP

DRS reserves the right to revise the RFP and/or to issue addenda to the RFP. DRS also reserves the right to cancel or to reissue the RFP in whole or in part, prior to execution of a contract. In the event it becomes necessary to revise any part of the RFP, addenda will be provided to all those who received the RFP.

4.9 SUBMISSION LIMIT

After submission, respondents will not be allowed to amend the proposal. Responses consisting solely of marketing materials are not acceptable and will be rejected.

4.10 MOST FAVORABLE TERMS

Although DRS reserves the right to make an award without further discussion, DRS may initiate discussions should clarification or negotiation be necessary. Respondents should be prepared to provide qualified personnel to discuss technical and contractual aspects of the proposal.

The "Best and Final Offer" is an option available to DRS under the RFP process allowing one or more respondents to submit a best and final offer.

Respondents may be contacted asking that they submit their best and final offer. Respondents should not submit a Best and Final Offer unless contacted by DRS. DRS reserves the right to negotiate with the apparently successful vendor for any type or combination of fee structures.

4.11 OBLIGATION TO CONTRACT

This RFP does not obligate the State of Washington or DRS to contract for service(s) specified herein. The Apparently Successful Respondent should be advised that the contract is valid and enforceable only if sufficient funds have been appropriated. In addition, the contract is subject to any additional restrictions, limitations, or conditions enacted which may affect the provisions, terms, or funding of the contract in any manner.

4.12 COSTS TO PROPOSE

DRS will not be liable for any costs incurred by the respondent in preparation of a proposal submitted in response to this RFP, in conduct of a presentation, or any other activities related to responding to this RFP.

4.13 COMMITMENT OF FUNDS

The Director of DRS is the only individual who may legally commit DRS to the expenditures of funds for a contract resulting from this RFP. No cost chargeable to the proposed contract may be incurred before receipt of a fully executed contract.

4.14 INSURANCE COVERAGE

Respondent must indicate in the letter of submittal and as a condition of contract award, that the respondent will provide proof of insurance from the respondent's insurance carrier, outlining the extent of respondent's liability coverage.

The company awarded the contract shall, at the company's own expense, obtain and keep in force liability insurance and shall furnish evidence in the form of a Certificate of Insurance that insurance shall be provided, and a copy shall be forwarded to DRS within fifteen days of receipt of notice of award.

The company shall at all times during the term of the contract carry and maintain liability insurance with the following minimum limits:

- 1) Commercial General Liability Insurance: Covering bodily injury, property damage and contractual liability.

Each Occurrence	\$1,000,000
General Aggregate	\$2,000,000

- 2) Business Auto Policy: As applicable, the company shall carry and maintain automobile liability insurance with limits of \$1,000,000 per accident.
- 3) Errors, Omissions, or Malpractice Insurance: As applicable, the company shall carry and maintain such insurance with limits of \$10,000,000 aggregate.

4.15 SITE SECURITY

Any contractors on site must comply in all respects with physical, fire, and other agency security regulations as well as complying with all agency practices, standards and policies. For example, contractors must use all state resources appropriately as identified in agency and state policies.

5. EXECUTIVE SUMMARY

Provide a high level summary of your proposal, highlighting the strengths, experiences, and background of your company. The summary shall be no more than three pages in length.

6. QUESTIONNAIRE FOR PERS PLAN 3

In providing your company's response to the questions below, restate each question in bold face type with your response directly below. Your company's proposal, and consequently your responses to the following questions, will be incorporated as part of the contract between your company and DRS.

Vendor Qualifications

6.1 COMPANY INFORMATION

1. Give the name and address of your company. Provide the name, title, address, telephone and fax numbers of the contact person from your company whom we may contact with questions regarding your response.
2. Your company must be able to provide all of the services and accept all of the terms as outlined in this RFP and Exhibits. If your company can provide substantially all of the services, but you require an exception to some specific provision of this RFP, state the reason for the exception and the substitution offered.
3. Give a brief history of your company. Supply an audited financial statement for the most recently closed fiscal year.
4. Is your company a parent, subsidiary or affiliate of another company? Give full disclosure of all direct or indirect ownership.
5. Describe any pending agreements to merge or sell your company.
6. Has your company undergone a change in senior management in the last five years? Describe the change in detail.
7. Has your company ever filed a petition or has your company been petitioned into bankruptcy or insolvency? Has your company ever made any assignment for the benefit of your creditors? If so, provide complete details.
8. Describe your errors and omissions coverage. Describe the various types of insurance coverage and indemnification provided to protect clients, including:
 - Risks covered
 - Carriers
 - Levels
 - Limits

- Deductibles

6.2 EXPERIENCE

1. For how many clients does your company currently provide the requested services? As of 9/30/2000 complete a table for each of the following categories:
 - (a) All defined contribution plans. Defined contribution includes 401(a) defined contribution, 457, 403(b) and 401(k) plans,
 - (b) All public sector defined contribution plans,
 - (c) All public sector 401(a) plans. 401(a) public sector plans to be included in this table are defined as plans that provide primary retirement benefits,
 - (d) All public sector voluntary savings plans (401k, 457 but not educational or 403(b) plans).

Plan Size	Number of Plans	Average Number of Years Company Has Provided Service	Average Number of Investment Options	Total Assets
Under 500 participants				
500 to 999 participants				
1000 to 4,999 participants				
5,000 to 9,999 participant				
10,00 to 24,999 participants				
25,000 to 49,999 participants				
50,000 to 99,999 participants				
Above 100,000 Participants				
Total				

2. Provide five client references most like DRS, including any large public sector plans to which you have provided non-traditional defined contribution record keeping. Fully describe the circumstances of your engagement and include the following:
 - Company name
 - Contact name and title
 - Telephone and fax numbers
 - Number of participants
 - Amount of plan assets
 - Length of relationship
 - Whether the relationship involves providing record keeping for independent, unallocated investments.
3. Provide a statement of your company's strategic commitment to the public sector defined contribution line of business and any documentation or evidence to support this commitment. Explain briefly the organization of your company with emphasis on the division and personnel providing defined contribution services within that organizational structure. Provide an organizational chart.

6.3 CONTRACTUAL ISSUES

1. Has your company been involved in litigation in the last five years, or is there any pending litigation arising out of your performance or participation in a defined contribution plan? Exclude routine interpleader actions, garnishments and similar routine matters involving participants and beneficiaries that do not reflect on the performance of your contract. If so, please describe.
2. Has your company been cited or threatened with citation within the last five years by federal or any state regulators for violations of any state or federal law and impending regulations? If your answer is yes, please describe fully.
3. Has your company had a contract terminated by a client for cause within the last five years? If so, by whom and under what circumstances? Provide the name and telephone number of each client that has terminated your company's services.
4. Has your company had a contract non-renewed by a client within the last five years? If so, by whom? Provide the name and telephone number of each client that has non-renewed your company's services.

5. Is your company licensed to conduct business in the State of Washington? If not, please attach an opinion of counsel giving his or her opinion as to whether he or she anticipates any difficulties in obtaining all necessary licenses prior to the effective date of the contract. Does delivery of all your services comply with all federal and State of Washington regulations? If not, specify.
6. If applicable, in the past five years, has your company ever been denied a license to do business, a license as an agent or broker, or any other insurance license? If so, please state the date of the denial, the license denied, the state in which the license was denied, the reason given for denial of the license, whether there has been a bona fide change of ownership or management since your license was denied and whether you have eliminated the cause for which the license was denied.
7. In the past five years, has your company ever had a license to do business, an agent/broker license or any other insurance license revoked or suspended? Has your company ever been reprimanded by a licensing agency? If so, please describe fully.

6.4 IMPLEMENTATION PLANNING

1. Describe in detail your plan for the PERS Plan 3 implementation process described in the RFP and Exhibits. Confirm your ability to meet the implementation dates listed in the RFP. Provide a detailed work plan and flow chart of activities, responsibilities and time frames for conversion of the Plan. Attach sample copies of communication pieces that you would use with participants during the implementation process.
2. In your experience, what are the typical causes of delays during the implementation process? Indicate the steps that you would take to minimize the inconvenience and confusion to DRS and PERS Plan 3 members.
3. What is the minimum amount of time that your company would require to conduct this implementation? Provide an estimate of the type and amount of resources that DRS would need to provide for you to install PERS Plan 3 on your system.
4. How will your company guarantee its stated implementation time frame?
5. Comment on how you propose to handle the unique problems associated with the start up of this type of new plan. Describe

situations in which your company has provided similar services and any innovative solutions or procedures that were used. Describe the experience and capabilities that your company will bring to this assignment that will benefit DRS.

6. Please describe how you would provide DRS with access to your test regions to access and validate test data.
7. DRS anticipates providing Plan records in the format provided in Exhibit 11 of the RFP (Record Keeping Interface File Requirements). Indicate if your company is not able to accommodate this file format and provide sample specifications of a format that your company would be able to accommodate.

6.5 IMPLEMENTATION TEAM AND EXPERIENCE

1. Regarding your company's general implementation team staffing, how many employees do you have that work exclusively on implementations? Describe how your implementation team(s) coordinates with the regular client service team and the typical number of implementations a team works on simultaneously.
2. For the implementation of PERS Plan 3, list the expected members of the implementation team(s) you will assign to the Plan. Indicate whether the team (or some portion of the team members) will work exclusively on this implementation. Describe the team members that will be assigned on-site at DRS offices during and/or after the implementation period. Confirm that your company will provide a full-time company representative who will be located at DRS's site during the duration of the implementation process. At a minimum, this should be three months before and one month after the effective date of the contract.
3. Describe the qualifications, experience, number of years with your company, primary work location and roles and responsibilities of each team member. Include whether they work exclusively on implementations or if they will be responsible for on-going processing of the Plan. At the end of the implementation, describe how the implementation team will transition to the on-going service team.
4. Provide the names of the three largest defined contribution Plan sponsors with which your company has been involved in a Plan implementation during the last three years. Fully describe the implementations, including your satisfaction of each implementation plan deliverable and due date. Provide the name

and telephone number of a contact person at each plan sponsor that DRS may contact.

5. How many individual defined contribution participant accounts are on your record keeping system? Describe in detail your company's ability to add in excess of 100,000 participants to your record keeping system. What assurances can you provide DRS about your ability to successfully add in excess of 100,000 participants to your system?
6. How many conversions and/or implementations has your company conducted during the past year? How many are currently scheduled? What are the expected conversion or implementation dates?

6.6 STAFFING AND SERVICES

1. Name the person who will have overall, hands on, account management responsibilities for the Plan. Provide the resume for this individual including his or her qualifications, experience, number of years with your company and primary work location. Describe the duties and responsibilities that this person will have.
2. Describe the percentage of time this individual will expect to dedicate to DRS's account, both during the first year and later years of the contract. If the percentage of time is less than full-time, would your company consider dedicating such a person full-time to DRS's account? If so, provide the additional costs associated with a full-time account service representative in your fee proposal. If not, indicate why a less than fully dedicated position is adequate to handle DRS's account.
3. Describe how your company maintains personnel in sensitive staff positions, including:
 - Recruitment/replacement
 - Retention, including incentive programs
 - Provide surety bonds and security evaluations, including frequency of re-evaluations.
4. Describe the overall client relationship staffing that your company proposes to facilitate the coordination of the delivery of the record keeper services that your company will provide to the Plan.
5. Fully describe the professional qualifications and experience of all principals in your company who will be directly involved in the

operation of PERS Plan 3, including the person who will have direct responsibility for supervision and training of the customer service center personnel, as well as any local service office that you are proposing. Also provide this information for the person who will plan and coordinate all activities associated with communication and enrollment support activities.

6. Fully describe how your company proposes to handle education support and customer service activities for the Plan. Your company's staffing plan must specify the number of employees in various capacities that you propose to have working on the Plan, their functions, as well as where within the State they will be located. Indicate how many individuals will conduct the local group investment education meetings and where these employees are located. It should be noted that travel expenses of these individuals are the responsibility of the respondent and must be included in the fee that your company is proposing.
7. Are you proposing a local service office? If so, include the number and type of staff to be headquartered there. Describe the services this office will be able to provide over the telephone and to walk-in customers. List the hours the office will be open. Indicate how after-hours telephone calls are handled. Will there be an answering machine, or will calls rollover directly to your central customer service center?
8. If your proposal is for either a higher or lower level of staffing than indicated in the Scope of Services (Section 2.1) indicate why you believe this level is appropriate and the benefits that this level will provide to the Plan.
9. Your staffing plan should include your proposal of what you believe to be an adequate number of licensed and trained customer service representatives who will be able to provide complete customer services over the telephone. These services must include assistance in enrollment and in providing investment and distribution information. The number of customer service center representatives supporting PERS Plan 3 should be quoted as full-time equivalents. Will these representatives be dedicated to PERS Plan 3?
10. List the minimum licensing requirements that your in-person educational and telephone customer service representatives will have.

11. Indicate whether any of your employees who will work on PERS Plan 3 receive incentive compensation (such as commissions, bonuses or other increased compensation). For each type of employee indicate the basis under which this incentive compensation is paid. Fully describe these compensation arrangements and what percentage of each type of the employee's total pay is expected to be provided under the incentive-based arrangement.

In responding to all of the remaining questions, indicate whether there are any differences, restrictions, limitations or concerns regarding the WSIB-TAP Fund. Describe fully, including how the monthly vs. daily valued requirements affect staffing, communication, customer service and the delivery of various administrative services. During the evaluation process, significant consideration will be given to how respondents clearly define and explain the impact this unique aspect of PERS Plan 3 will have on the provision of these record keeping services.

Record Keeping and Administration

6.7 RECORD KEEPING STAFFING

1. Provide the names and backgrounds of key record keeping staff who will be assigned to DRS's account. Describe the roles and responsibilities of each and provide an organizational chart. Who would be DRS's day-to-day contact for record keeping services? How many other accounts/plans is this person handling? Who would be responsible for coordination of all of the systems set-up and interfaces? Who, and at what level in your company, would have oversight responsibility for DRS's account? What staff backup exists for these primary contacts?
2. If your company uses a team approach to service clients:
 - (a) How many team members would your company assign to DRS's account?
 - (b) For how many other account/clients would the assigned team be responsible?
 - (c) Describe any conflict with multiple processing schedules. How does your company provide backup?
 - (d) Describe the size of an average defined contribution service team and team members' functions.
 - (e) Describe your company's ability to add record keeping staff as necessary to meet record keeping demands.

3. Describe your company's overall record keeping staff — the number of personnel at various levels, their years of experience, and the turnover rates for each level of staff, including senior staff — during the last three years. Describe your company's approach when there is turnover on the project team.
4. How do you ensure quality control and customer satisfaction with regard to staffing? How do you ensure continuity in the event of absences of assigned staff?

6.8 TRAINING AND CONTINUING EDUCATION

1. What is your company's policy for initial and ongoing training and licensing of educational and customer service personnel? Include a description of your required licensing and education program, including:
 - number of hours of training,
 - training methodology (classroom, on-line, outside classes, etc.),
 - qualifications of instructors,
 - performance requirements for satisfaction of training program.
2. Describe the initial and ongoing training that the representatives who conduct the in-person educational meetings have in making such presentations. In particular, describe their education in investments in general and how your company proposes to train them to be knowledgeable about each of the investment options offered under the Plan. Provide a detailed description on how your company intends to educate your representatives on the WSIB-TAP Fund.
3. Describe your company's commitment to continuing education and outside learning. List any financial or similar incentives provided.
4. Do you have a continuing education program in place for your service personnel to stay current of Plan changes, changes in the law and investments? If so, describe in detail, including:
 - number of hours of continuing education,
 - training methodology (classroom, on-line, outside classes, etc.),
 - qualifications of instructors,
 - performance requirements for satisfaction of training program.

5. How will your customer service center representatives be trained on the particulars of PERS Plan 3? Please provide a sample of the type of training manual that you propose to use.

6.9 RECORD KEEPING

1. Fully describe your company's unallocated record keeping abilities and methodology, including, as mentioned earlier, how these methodologies will be adapted for both daily and monthly valuation of assets.
2. Describe your company's experience in interfacing on a daily basis with a variety of investment companies. Please list the investment companies that you currently interface with on a daily basis. Please indicate whether there are any investment companies with which your company cannot work. List the number of situations in which you interface with SSGA and Barclays. Describe your company's abilities to interface with a client's internal investment manager. Indicate whether you currently have similar arrangements for any of your company's existing clients.
3. Describe your procedures for ensuring that the Plan is in balance on both a daily and monthly basis. Do you use share or unit accounting for daily valuations? Monthly valuations?
4. Describe your procedures for communicating purchase and sale directions (e.g., transfers, withdrawals, rollovers) to third-parties/custodians/internal manager.
5. Describe all controls taken to ensure the timeliness of record keeping, that each participant's account complies with all provisions of the Plan and government regulations and that, to the degree required, all forms and authorizations are complete and on file.
6. How are errors handled through your record keeping system for:
 - a) Contributions,
 - b) Withdrawals/Distributions (both over- and under-payments),
 - c) Transfers,
 - d) Allocation of earnings,
 - e) Tax reporting?
7. Is this error-handling process manual or can corrections be handled on the system?

8. What hardware/systems/formats are presently in place for electronic receipt and upload of information from clients? Describe how you propose data be transmitted to and from DRS giving a proposed data transmission plan identifying various types of information expected to be transmitted, how each type of data will be transmitted, and the time frames necessary.
9. What types of edits does your company perform on payroll data? How soon after receipt of the files are the edits performed? Describe your process for resolving data discrepancies.
10. In the format below, describe your company's standards for performance. Assume all data, wires or other requests are received in reasonably good condition, before your cutoff time for the day, and that any required employer approvals have been received.

Activity	Quality standard (business days)	Explanation
Contribution reconciliation and posting	___ days from receipt of payroll data	
Withdrawals paid	___ days from receipt of request	
Distributions paid	___ days from receipt of request	
Investment fund transfers processed	___ days from receipt of request	
Confirmations mailed	___ days from execution of transaction or request	
Participant statements mailed	___ days from period end	

11. For each of the transactions listed above, describe the interface between DRS staff and your company.
12. Describe in detail any suggestions your company may have to improve the administration of the Plan and improve services provided to the members. Additionally, DRS is looking for ways to reduce the use of paper where appropriate.
13. Describe what information you maintain in a member's account record. Confirm that this complies with DRS's requirements as outlined in the RFP and Exhibits. How will your company ensure that state mandated privacy provisions (as outlined in Exhibits 9 and 10) are followed?
14. DRS will be passing transactions to the record keeper that will require a unique designation in the member's account. Describe your ability to process and identify the following specialized transactions:

- Service Credit Purchase
 - Military Service Credit
 - Leave Without Pay
 - Restoration of Service
 - Gain sharing
 - Transfer Payment
15. Describe in detail how you propose to conduct the split of contributions between WSIB-TAP and the Self-Directed investment options and reconciling individual participant contributions in accordance with DRS's requirements and parameters, including the monthly valuation requirements. Provide a timeline of the process, including time requirements on the receipt of NAV information from the outside investment provider and month end values for the internally managed option. How will you provide confirmation of the receipt of funds to DRS?
16. Describe how you will handle the crediting of interest in the STIF for assets received for which contribution data has not been received. Describe the differences between the daily and monthly valued portions of the Plan. Include a description of your procedures for reconciling the Plan depository investment accounts and the information and statements that you will provide to DRS.
17. Give any minimum time guarantees your company provides as well as your company's policy on retroactively correcting any erroneous transfers. Provide a timeline fully describing the procedures and time required for your company to transfer all or a portion of a participant's account balance in an investment option to another investment option. Describe how the processes will be different for the daily vs. monthly valued portions. Give any minimum time guarantees you provide as well as your company policy on retroactively correcting any erroneous transfers. Indicate whether you will make the member's account whole at your company's (and not the Plan's) expense if the erroneous contribution is due to your company's error. Provide a complete timeline, including the terms and conditions under which you can provide a transfer at that day's purchase price. What time cutoffs must the investment companies meet in order to provide a sample of your written confirmation of transfer? Your system must process transfer of account balance by percent and by dollar amount.
18. Will you maintain copies of Plan records (beneficiary designations, asset allocations, etc.)? How do you propose to store and retrieve, by hard copy, electronic media, other?

19. Clarify how you expect to process participant changes in investment elections. Confirm that you will be able to provide written confirmation of the change to participants within three business days of the change. Describe how you will handle transfer requests for participants wishing to change from the WSIB-TAP to the Self-Directed portion or vice versa. Confirm that you do not intend to impose any limitations such as a maximum number of changes, contribution investment transfers or elections.
20. Does your company use financial modeling software developed by your organization or do you contract with another organization that provides you with this tool? Please describe your capacity to interface to other financial modeling tools.

6.10 DEDUCTING FEES

1. Describe how your company will handle the deduction of administrative fees from member accounts. Indicate that you can collect different fees from the WSIB-TAP vs. Self-Directed portion of the Plan. Indicate any limitations on the type of fees and/or method of collection.
2. Confirm that your company can provide detailed reports (by fee type) depicting all fees collected from member accounts. Confirm that your company can provide detailed reports substantiating fees associated with services provided by your company.
3. If needed, confirm that your company will assist DRS and/or its registered investment advisor in obtaining reimbursements and other fees from Plan investment service providers. Describe any preferential pricing or similar alliance arrangements that you have negotiated on behalf of your clients.

6.11 DISTRIBUTION SERVICES

1. Describe in detail the distribution counseling services that your representatives would be able to provide for participants invested in the Self-Directed investment options. Counseling should, at a minimum, include reviewing the distribution options and their advantages and disadvantages, including tax impact. Provide samples of the written materials and applications that you would propose sending to participants who have requested distribution information. Attach samples of the forms that your company uses for election of form of payment. Describe how your representatives would be able to assist participants in completing

the applications. Describe how you will communicate the different payment options (annuity and installment payments).

2. The record keeper will be required to provide an annuity shopping service for the Self-Directed balances. List and describe your package's normal distribution options. Confirm that your company will provide at least the same distribution options as currently provided under PERS Plan 3. If not, identify those distribution options you will not provide.
3. For the annuities that you have provided, give the actual and guaranteed purchase rates per \$1,000 for the following payment options on June 30, 1997, 1998 and 1999. Provide purchase rates for a participant at age 50, 55, 60, 62 and 65. For joint and survivor payment options assume that the spouse is the same age. Unisex rates are required.
 - Life only
 - Life and 10 years certain
 - 50% joint and survivor
4. For the annuity purchase rates listed above, list the commissions, if any, your company receives. Note that your company must fully disclose all commissions paid for annuities purchased under the Plan.
5. The ERBB is required to make available optional actuarial equivalent life annuity benefit payment schedules for PERS Plan 3 members by July 1, 2005 from the WSIB-TAP fund. Describe how your company would service the following annuity products as described in the Scope of Services:
 - Basic Annuity
 - Simplified Participating Annuity
 - Bridge Annuity
6. Does your record keeping system accommodate all applicable federal and state tax and withholding calculations? Describe.
7. Describe how you monitor the age 70-1/2 minimum distribution requirements. How does your system accommodate MRDs for participants still working?
8. Describe your company's procedures for processing the termination or retirement of an employee. Start with the date a participant terminates and end with the receipt of distribution.

9. Describe how the appropriate Internal Revenue Service withholding and reporting is conducted. All liability for such withholding and reporting will be the responsibility of the record keeper. The record keeper is expected to prepare and deliver 1099s to PERS Plan 3 members, and also to provide DRS with detailed distribution and withholding amounts, by means of magnetic tape or compatible transmission, to enable 945 reporting. What controls are in place to ensure that both the Federal and State Tax Tables are updated in your system timely to reflect the most current tax tables? Also, describe how your company handles direct rollovers and notice requirements.
10. Confirm that you provide direct deposit for an installment or systematic withdrawal payment to a participant's personal bank account?
11. What is your company's policy regarding stale dated checks? How long can the unredeemed funds remain in your disbursement?

6.12 DRS SUPPORT SERVICES AND RECORD KEEPING ACCESS

1. Describe the arrangements under which your company will provide DRS staff on-line inquiry only access to Plan records. Describe the data that will be available to staff and provide copies of the data screens that staff will view. What functions are available through on-line access? What type of training will you provide DRS staff in the use of the system? How frequently will you agree to conduct such sessions? Indicate that the administrative manual that your company will provide, as described in the Scope of Services, will contain complete instructions on how to access and view such information and how to trouble shoot routine problems.
2. Describe the computer hardware, phone line and modem capabilities that DRS must have to be able to access a Plan database. How many clients currently use on-line access?
3. Indicate what security precautions your company will require. Is the on-line system integrated with the voice response system?
4. Fully describe the reporting capabilities that staff access to the system will provide. Attach copies of these reports. Indicate any restrictions that your company will impose regarding the information and reporting that can be obtained or of time of access to the system to generate desired reports.

5. Detail the typical turnaround time for several types of special reports commonly requested by clients. Discuss the type and timing of data available by electronic delivery for:
 - On-line view
 - On-line manipulation
 - On-line download of formatted data
 - On-line download of raw data
 - Report-writing access
6. Confirm that your company will make available a representative who will assist staff in correctly obtaining access to the database and generating reports. Describe the capabilities and qualifications of that individual and the steps your company will take to ensure that DRS staff can get resolution to problems on a timely basis.

6.13 SYSTEM SUPPORT AND CHANGES

1. Indicate whether your record keeping system is owned by your company or subcontracted from another organization. If your company owns the system, was it originally purchased from an outside vendor? If so, from whom? Does your company have a maintenance agreement with the vendor for on-going support? Is your company allowed to modify the system? If the system was not purchased, when was it first put into place and last updated? What plan do you have for significant changes? Describe any pending changes and proposed implementation dates. If the system is subcontracted, provide details of the arrangement and the name and qualifications of the organization.
2. Do you foresee any specific problems incorporating PERS Plan 3 into your record keeping system? If so, describe them in detail.
3. How much has your company spent on defined contribution plan system and technology enhancements in each of the past two calendar years? What expenditures are planned for the next two years?
4. Does your company have a separate systems support group for your record keeping system? What is the size of the internal systems staff that supports your company's system?
5. Does your company propose to charge for system modifications required by legislative changes? If so, indicate the anticipated charge schedule in your fee quote. Does your company propose to charge for system modifications requested by DRS? If so, indicate

the anticipated charge schedule in your fee quote. Describe how you propose system enhancements be coordinated between your company and DRS? What change control processes will you have in place?

6. Describe your company's system back up, security and disaster recovery procedures. Are files archived and stored at an off-site location? If so, what is the location? Have procedures been tested? When did you last perform a full-scale disaster recovery test? Provide a copy of the test results.
7. Describe your company's capability for electronic data transfer between your system, the payroll centers, the trustee/custodian's, and the investment managers. Do other systems have to conform to your data formats, or do you customize your formats to meet others' needs/capabilities? If so, the cost for customization should be included in your fee proposal. Does your company use electronic mail to communicate with the various parties?
8. Describe and provide a sample of the administrative procedures and policies manual outlining all the administrative requirements, as well as sample forms and instructions.

Customer Service/Communications

6.14 CLIENT SATISFACTION

1. Describe in detail your company's client relations process:
 - Formal and informal oral and written communications
 - Inquiry and problem resolution processes
 - Information on available services
 - Training in the use of the service and systems access
 - Other:
2. How does your company measure and evaluate client satisfaction? How does your company intend to report the results of such measurement to DRS?
3. Does your company conduct client specific employee surveys to measure employee satisfaction with its administrative service? What is the cost of this service? Do not include this cost in your fee proposal.
4. What safeguards would you use to assure DRS that it is informed of all serious or repetitive complaints regarding your company's performance? How will you notify DRS of potential problems?

How will written and verbal complaints be handled and resolved within your organization? How long do complaints remain at each level before escalation to the next? Describe your escalation procedures. Describe your formal conflict resolution process. Note that any unresolved complaints must be reported to DRS after thirty days.

5. What quality control systems do you have in place? Describe fully. Describe the quality improvement system you have in place. Please describe your testing strategy and how you ensure quality principles are incorporated into your testing strategies and practices.
6. What distinguishes your client services program for a defined contribution plan from that of other companies?
7. How will you assure quality service from your subcontracted companies, if used?

6.15 GROUP EDUCATIONAL MEETINGS

1. Fully describe how you intend to conduct group meetings under the Plan. Provide a complete description of the topics to be covered and describe your company's abilities to provide the necessary information in a clear and accurate manner. The visual aids and other materials you intend to use should be described below under Communications (6.18).
2. Indicate the number of group educational meetings that you propose to have for PERS Plan 3. If this number is less than stated in the Scope of Services, explain how this lower number of meetings will ensure that all employees will have an opportunity to learn about PERS Plan 3. If the numbers are greater, provide a cost/benefit analysis addressing why you believe an increased number of meetings is necessary.
3. Indicate how you propose to coordinate meetings so that all interested employees have an opportunity to attend a meeting at a convenient time and location.
4. Describe any survey or review mechanisms that your company has in place to ensure that the representatives are conducting group meetings in a professional manner. Describe how the findings are used to improve future presentations. How are results shared with the representatives in terms of performance improvement?

6.16 CUSTOMER SERVICE CENTER

1. Describe the toll-free telephone system that you will provide. Describe the interface that employees without touch telephone service will receive.
2. Where is your customer service center(s) located? Will your record keeping and administrative services also be processed at this location? If not, where will these services be provided?
3. What days/hours will benefit service representatives be available?
4. What security procedures do you use at your customer service center to authorize transactions that the member makes over the phone?
5. Describe your "live operator" capabilities. Describe the types of transactions your operators are permitted to accept from members. Do operators have direct access to the record keeping system? If a member exits your voice response system with a problem, can operators monitor the progress of the attempted transaction?
6. How many customer service representatives/operators does your company currently employ?
7. On average, how long does it take your company to respond to member requests in writing and over the telephone? What management procedures do you have in place to monitor response time and quality of response? What commitment will you make to DRS regarding response time?
8. Describe your customer service staffing plan to deal with peak volume, e.g., after the issuance of participant statements or a Plan change.
9. Identify the number of additional phone representatives your company would hire if selected by DRS.
10. Provide the following statistics for your member toll-free service line for the six and twelve months ended 12/31/99:
 - a) Number of calls received,
 - b) Average response time,
 - c) Call abort time,
 - d) Average length of calls,
 - e) Percentage of calls requiring operator call-back,

- f) Percentage of calls elevated from VRS to operator assistance,
 - g) Average wait time before a call is answered,
 - h) Current number of telephone representatives on line during business hours.
- 11. Describe the oversight and monitoring activities your company conducts to ensure that the service provided by your representatives meets quality standards. Describe your standards. Are your telephone lines tape-recorded? How frequently (as a percentage of total phone time) do supervisors monitor representatives' conversations? Where and for how long are tapes stored? Describe your retrieval and call location process.
- 12. What language services other than English are available? Confirm your ability to provide TDD services.
- 13. Confirm your company's ability to:
 - a) Average Speed of Answer (ASA) — guarantee that 85 percent of calls are answered within 20 seconds of the first ring.
 - b) Busy Rate — guarantee that less than one percent of calls receive a busy signal.
 - c) Abandoned Call Rate — guarantee that less than three percent of calls are not answered.
- 14. Provide sample statistical reports that you prepare for clients showing how you monitor these statistics. Indicate whether you will be able to maintain the same level of service for the walk-in service center. If different, please provide.
- 15. How frequently have you made your targets for the above statistics for your five largest clients over the last year? Provide the targets and the actual statistics.

6.17 VOICE RESPONSE AND INTERNET SYSTEMS

- 1. Describe fully the interactive voice response and Internet systems your company would provide. What security features are in place to ensure that only the correct member is given personal information? Describe your Personal Identification Number (PIN) generation capabilities (for new participants) and on-going PIN administration capabilities.

2. Please describe in detail the on-line inquiry and transactional capabilities your system supports. During what hours are the systems available? What are the routine maintenance periods? Provide statistics for the last twelve months on down time other than routine system maintenance. How do you control system access?
3. Please provide a complete description of capabilities for both inquiries and transactions.
 - a) How do your systems support new enrollments?
 - b) Describe how each of the following activities are provided:
 - Account balance information
 - Fund performance
 - Fund transfers
 - Contribution changes
 - Investment allocation changes
 - Distribution initiation
 - Plan provision explanations/assistance
 - Tax status information
4. How will your system be customized to address the daily and monthly valuations under PERS Plan 3? Describe fully what information and transactions members will be able to conduct under each type of valuation. Can you provide interaction in languages other than English? If so, what languages?
5. When was your first voice response system installed for defined contribution record keeping clients? When was your first Internet access system installed for defined contribution record keeping clients? How many plans currently use these services? What is the total number of participants covered under these plans?
6. Does your system have the capability of allowing members secured access without using their Social Security Number (per proposed privacy provisions as introduced by Congress)?
7. Are these systems integrated into your defined contribution record keeping system database? Please describe. How do you handle changes to pending transactions on these on-line systems?
8. Describe the reports that DRS will receive relating to call volumes, response time, abandoned calls, number of transactions, etc. What reporting will be provided on Internet use? Please provide sample reports.

9. Provide samples of the confirmation statements that you will generate.
10. What vendor provides your voice response and Internet access software and hardware?
11. How many staff members are employed in the area that supports your on-line systems? How many are programmers? Do any of them work exclusively with on-line systems? If so, specify.

6.18 COMMUNICATIONS

1. Provide a detailed communications plan enumerating and describing all visual and auditory communication materials that you will provide for PERS Plan 3. This communications plan should include the visual aids used during educational meetings, informational Internet sites, written communication materials, video or alternative communication sources, etc.
2. Provide samples of materials that you have used in similar situations, along with a description of how you will customize these materials for PERS Plan 3. Fully describe your company's commitment to customizing these materials. For each education component (including Internet, VRS, and print pieces such as brochures, newsletters, statements and administrative forms), itemize the number of design and development hours by category of employee (e.g., graphic designer, communications consultant, writers, Web designers and programmers). Provide estimates of what percentage of each category are internal vs. external resources. All communication components including Web site material must be customized and for the sole use of PERS Plan 3 members and potential members.
3. Describe your current information technology platform and publishing software standards used for communication materials. How do you propose sharing communication materials between yourself and DRS during the communication development process?
4. Describe how you intend to ensure that DRS is actively involved in the development of initial and future materials. Describe how you propose to incorporate DRS input without delaying the development and production of materials and what turnaround and similar requirements you would impose. Describe in detail the costs associated with the review, comment, design and production of each of the various component pieces.

5. Describe all the distribution methods that your company will use to disseminate communication materials to participants. Describe what class of mail will be used to deliver each piece.
6. Describe how these visual communication materials, as well as information provided by your company's educational and customer service representatives, will describe the difference between the various investment options under the Plan, including the WSIB-TAP Fund. Describe what information would be provided and the approach that representatives would take toward making suggestions or giving advice.
7. Describe material and other support that you will provide to assist DRS in educating members about the use of your company's customer service center and on-line systems.
8. Describe the educational video and/or CD-ROM your company would prepare for PERS Plan 3. Indicate what portions of the video and/or CD ROM (concept, script, taping, editing, and production) are conducted in-house and which are subcontracted. Provide a sample of a video and/or CD ROM that you have prepared for a similar client.
9. Describe the educational tools and materials that your company proposes to use to assist participants in defining their level of risk tolerance and long-term savings goals and matching those elements with appropriate investment options within the Plan. Describe how your company's approach has assisted participants in constructing portfolios with appropriate levels of diversification within risk parameters that they are comfortable with. How will the Plan's pre-mixed portfolios be incorporated? Describe a similar situation in which you have provided service and provide samples.
10. Is your company proposing to provide retirement planning services? If so, describe fully. Provide samples of the presentations, workbooks, interactive materials, newsletters and other materials that you use. Indicate your company's philosophical approach to retirement planning and the benefits to participants and the Plan.
11. Describe how you propose to make Internet access available to PERS Plan 3 members and what capabilities and features would be available. Indicate what relevant experience your company has that distinguishes its Internet capabilities from your competitors. Fully describe your proposed Web site and how it will differ from the sites currently available to TRS and SERS employees. What

information and functionalities will be provided? How will they benefit members?

12. Provide the contact name and telephone numbers of three clients for whom your company has developed a custom Web site. Describe the features of each site and provide sample print screens.
13. Provide the address and necessary access codes or passwords so that DRS can test your Internet transaction capabilities. Indicate the time period for which this access will be available to DRS.
14. Provide a sample survey you would use to measure member satisfaction with all of your services. Indicate how you would report survey results to DRS and how you propose to improve areas identified as needing improvement.
15. Does your company have the capability to provide communication materials in alternate formats? If so, please describe.

6.19 MEMBER STATEMENTS

1. Indicate that your company will provide DRS with copies of the statements on CD-ROM or through on-line file transmission.
2. A copy of DRS's current statement of account is provided in Exhibit 7. Confirm that your company's statement will be personalized for DRS and that your company can provide, at a minimum, all the data currently provided on DRS' current statement of account. Describe any statement enhancements your company proposes. Provide a sample statement.
3. For the past four quarters, provide the average number of days required to issue quarterly statements for your company's five largest (by number of participant accounts) daily record keeping clients. Confirm that you can provide quarterly member statements of account within ten days of the end of the quarter for the daily valued investment options. Indicate by what date you must receive data from the WSIB to provide statements within the current timeframe as described in the RFP.
4. For your five largest clients, provide your company's statement accuracy percentage; i.e., the percentage of statements that are not mailed on the normal mail date because of an unresolved discrepancy. Confirm that you will agree to incorporate a minimum error percentage in your contract.

5. Please indicate how you research and resolve undelivered quarterly statements.

Reporting and Compliance

6.20 STANDARD REPORTING

1. Included as Exhibit 13 is the ERBB monthly report that DRS receives from its current record keeper, indicating financial activity and member participation data. List and describe the reports your company proposes to prepare for DRS. Indicate what additional information your reports would provide. Confirm that your reports would not provide less information than described in Section 2.7 and will meet the requirements described in the RFP.
2. To what extent can these proposed reports be customized? What is the cost to receive ad-hoc reporting and what are the limitations to what DRS can request. What is the process for developing customized report formats and delivery mechanisms customized to client requests?
3. Provide a full set of standard daily, monthly, quarterly, and annual accounting statements and reports (NOTE: include enough pages of each report to demonstrate its use and distinguishing features; total reports are not required). Include with your proposal a set of screen formats used for electronic delivery.
4. What is the timeliness of reports by hard copy? By electronic delivery? Include the average response time to receive standard reports? Special reports?
5. Provide samples of the type of edit reports that would be issued for all types of transactions.

6.21 ACCOUNTING AND LEGAL

1. How does your company handle information on property division orders, QDROs, and other legal orders on your record keeping system?
2. Can your system monitor 415 limits? Describe.
3. Describe how you handle audit documentation where paperless processing has occurred.

4. Confirm that you will be able to provide the necessary information requested by DRS and its auditors as outlined in the Scope of Services.
5. Provide a copy of your company's SAS 70 audit. Indicate how frequently your company has this audit conducted.
6. Indicate what legal and advisory services you will provide DRS in administering its Plan in conformance with the appropriate laws and regulations. Indicate how you will review and inform DRS of changes in the law and current legislation potentially impacting PERS Plan 3.
7. How many attorneys and how many paralegals are on staff? Describe their qualifications. How does your company charge for these services? Describe how your company would interface with DRS and the State's corporate and outside counsel.
8. For your company's five largest public sector clients, describe the general consulting and support services that you have provided during the last year. Indicate what issues you have been involved in identifying and resolving.
9. During State legislative sessions, there are frequently requests for the financial and administrative impacts of proposed Plan modifications that are being considered by the legislature. Describe your experience in working with public sector clients in addressing legislative requests for information during session, and your ability to meet the immediate time frames that usually accompany these requests.

6.22 ADDITIONAL INFORMATION

1. Describe the procedures and safeguards that you use to protect the confidentiality of information on participants and beneficiaries.
2. If the above answers do not sufficiently cover all of the pertinent facts which qualify your company, summarize additional information below.
3. This RFP has outlined the services required to be provided under a contract for record keeper services. If, as a part of your record keeper service package, there are additional, superior or unusual services that could be provided at no cost, describe them in detail.

4. For any of the services requested, if your company would like to propose an alternative approach to providing the services than the approach described in the RFP, fully describe the alternative(s) and indicate how this approach would provide better overall services to Plan participants.

7. FEE PROPOSAL

It is DRS's desire to enter into a fixed price contract with a record keeper to provide the services requested in this RFP. The fees proposed must be fixed over the three-year contract, and an increase to the fees quoted will not be permitted.

7.1 FEE PROPOSAL

The Fee Proposal Forms are Appendix B, found at the end of this RFP. The respondent is required to identify start up costs and to divide its proposed fee between the fees required to provide services to the monthly valued (WSIB-TAP) portion of PERS Plan 3 and the fees required to provide services to the daily valued (Self-Directed) portion of the Plan.

DRS requires all respondents to make their fee proposals in a per-participant fee format. DRS reserves the right to negotiate with the Apparently Successful Respondent for any type of, or combination of, fee structures.

7.2 ILLUSTRATION ASSUMPTIONS

Each respondent must fully identify the pricing assumptions that it made in arriving at its fee proposal in the tables provided on the Fee Proposal Form. In addition to the variables itemized on the form, respondents are encouraged to list other assumptions and factors that they considered in making their assumptions.

However, no representations or warranties of any kind are made by DRS as part of this RFP as to the specific kind of investment products which may, in the future, be approved by the WSIB. Nor are any representations or warranties made as to the number of employees that will choose to participate in the Plan, the amount of assets that will constitute the Plan, the potential of expected services, or any other factor that might impact the provision of services to the Plan.

Regarding the implementation of PERS Plan 3, the RFP provides information on the transfer experience under TRS Plan 3 and SERS Plan 3 and additional information that might affect the PERS Plan 3 transfer levels. Respondents should use this information in estimating the number of expected participants under Pricing Assumptions.

Respondents should base their fee proposal on presenting a minimum of 300 investment education seminars per year. The respondent should include the cost per additional day of meetings in excess of the required 300 meetings as previously noted. This information should be included under Additional/Deleted Services in the fee proposal.

7.3 COMPENSATION RESTRICTIONS

The successful respondent shall receive no compensation for acting as record keeper other than the fees set forth in its fee proposal or as agreed by DRS. The successful respondent can receive no compensation or fees from investment products offered under the Plan. Any 12(b)(1) charges or other fees or rebates that are paid to the Plan will be used to offset Plan costs, including the respondent's fee. Fees quoted cannot assume that funds with which the respondent has any relationship, ownership or otherwise, would be offered at any time under the Plan.

Fee proposals must assume that no commissions, reimbursements, broker's fees, special premiums, or any other kind of fee or charge other than those disclosed are to be paid or will be established for payment to any third party for the State of Washington's account.

8. SUPPLEMENTAL INFORMATION

Each respondent may present any supplemental information that the respondent deems appropriate. The respondent may also provide supporting documentation, as necessary, for evaluators to determine relevance and value.

9. EVALUATION AND CONTRACT AWARD

9.1 EVALUATION TEAM

The evaluation of proposals shall be accomplished by an evaluation team, to be designated by DRS, which will determine the proposal most responsive to the requirements stated in this RFP. Proposals will be evaluated strictly in accordance with the requirements set forth in this RFP and any addenda that are issued.

9.2 RESPONSIVENESS

Any proposal that does not adhere to the RFP format as specified may be considered non-responsive and not subject to further evaluation.

9.3 AWARD BASED ON MULTIPLE FACTORS

The evaluation process is designed to award the contract to the respondent

whose proposal best meets the requirements of this RFP. The final selection, if any, will be based on the evaluation committee's recommendation after analysis of the Responses to Questions and the fee proposal, and oral presentations, if required.

9.4 EVALUATION WEIGHTING CRITERIA

Responses to the questions in Sections 6 and 7 will be organized into the following categories and scored by a DRS evaluation team.

Vendor Qualifications	25%
Record Keeping/Administration	25%
Customer Service/Communications	25%
Reporting & Compliance	05%
Cost	20%
Total Weighting	100%

9.5 INTERVIEWS CONDUCTED IF NECESSARY

DRS, at its sole discretion, may elect to select the top two or more respondents for an oral presentation and final determination of contract award. Commitments made by the respondent at the oral interview, if any, will be considered binding. If interviews are conducted, the final selection will be based on the combined proposal and oral interview. Respondents with whom interviews are conducted will be asked to elaborate on the elements of their proposal; **however, no changes whatsoever can be made to a Respondent Fee Proposal. Any such changes may be grounds for dismissing the respondent from the bidding process. Respondents who are unsure as to whether a clarification would be considered a change to its fee proposal should contact the RFP Coordinator.**

9.6 NOTIFICATION TO UNSUCCESSFUL RESPONDENTS

Companies whose proposals have not been selected will be notified via fax or email as provided in their proposal.

9.7 GENERAL TERMS AND CONDITIONS

The Apparently Successful Respondent will be expected to enter into a contract with DRS which is substantially the same as the sample contract at the end of the RFP as Appendix A, including DRS's General Terms and Conditions.

While the respondent is free to propose changes to the Contract Terms and Conditions, the respondent is not to submit the respondent's own standard contract terms and conditions as a replacement for those identified in this RFP and Appendix A. A respondent's request for substantial modification of the sample contract will be viewed as a non-responsive proposal resulting in the disqualification of the respondent. Determination of what constitutes substantial modification rests solely with DRS.

9.8 DEBRIEFING OF UNSUCCESSFUL RESPONDENTS

Unsuccessful respondents will be given the opportunity for a debriefing conference. The RFP Coordinator must receive a written request for a debriefing conference within three business days after the Notification of Unsuccessful Respondent letter is faxed to the respondent. The request may be faxed. The debriefing must be held within three business days of the request.

Discussion will be limited to a critique of the requesting respondent's proposal. Comparisons between proposals or evaluations of the other proposals will not be allowed. Debriefing conferences may be conducted in person or on the telephone and will be scheduled for a maximum of one hour.

9.9 PROTEST PROCEDURE

This procedure is available to respondents who submitted a response to this solicitation document and who have participated in a debriefing conference. Upon completing the debriefing conference, the respondent is allowed three business days to file a protest of the acquisition with the RFP Coordinator.

Respondents protesting this procurement shall follow the procedures described herein. Protests that do not follow these procedures shall not be considered. This protest procedure constitutes the sole administrative remedy available to respondents under this procurement.

All protests must be in writing and signed by the protesting party or an authorized agent. The protest must state the grounds for the protest with specific and complete statements of the action(s) being protested. A description of the relief or corrective action being requested should also be included. All protests shall be addressed to the RFP Coordinator.

Only protests stipulating an issue of fact concerning the following subjects shall be considered:

- A matter of bias, discrimination or conflict of interest on the part of the

- evaluator;
- Errors in computing the score;
- Non-compliance with procedures described in the procurement document or DRS policy.

Upon receipt of a protest, DRS will hold a protest review. All available facts will be considered and the DRS Director or delegate will issue a decision within five business days of receipt of the protest. If additional time is required, the protesting party will be notified of the delay.

In the event that the protest may affect the interest of another respondent that submitted a proposal, such respondent will be given an opportunity to submit its views and any relevant information on the protest to the RFP Coordinator.

The final determination of the protest shall:

- Find the protest lacking in merit and uphold DRS's action; or
- Find only technical or harmless errors in DRS's acquisition process and determine DRS to be in substantial compliance and reject the protest; or
- Find merit in the protest and provide DRS options which may include:
 - Correcting the errors and re-evaluating all proposals, and/or
 - Reissuing the solicitation document and beginning a new process, or,
 - Making other findings and determining other courses of action as appropriate.

If DRS determines that the protest is without merit, DRS will enter into a contract with the Apparently Successful Respondent. If the protest is determined to have merit, one of the alternatives noted in the preceding paragraph will be taken.

9.10 PROPRIETARY INFORMATION/PUBLIC DISCLOSURE

All proposals received shall remain confidential until the successful respondent(s) resulting from this RFP, if any, is announced by DRS's Director or the Director's designee. Thereafter, proposals shall be deemed public records as defined in Chapter 42.17 RCW (the Washington State statute pertaining to accessibility to public records) except as exempted in that chapter. Respondents are advised that the permissible exemptions from public disclosure pursuant to RCW 42.17 are very narrow in scope and strictly construed. In the event that a respondent desires to claim portions of their proposal as exempt from disclosure under the provisions

of the aforementioned RCW, it is incumbent upon that respondent to clearly identify those portions in a proposal transmittal letter. The transmittal letter must identify the page and particular exemption(s) from disclosure upon which it is making its claim. Further, each page claimed to be exempt must be clearly identified by the word “CONFIDENTIAL” printed on the lower right-hand corner of the page. **Designating the entire proposal as confidential is not acceptable and will not be honored.**

If an official request is made to view a respondent's proposal, DRS will respond in accordance with RCW 42.17.250 et seq. If any of the specifically requested information is marked as “confidential” in the proposal, such information will not be made available until three business days after the affected respondent has been given telephone notice that the information has been requested. If within those three business days the affected respondent has undertaken proceedings to obtain a court order restraining DRS from disclosure of the requested “confidential” information, DRS will not disclose such information until resolution of the court proceeding. Upon failure to make application for judicial relief within the allowed period, the information will be disclosed.

NOTE: The proposal of the successful respondent will be attached to the resulting contract and incorporated therein by that attachment. Therefore, as part of a public state agency contract, the entirety of the successful respondent’s proposal will be subject to public disclosure regardless of any claim of confidentiality or previously applicable statutory exemption. Nevertheless, should a successful respondent obtain a court order from a Washington State court of competent jurisdiction prohibiting disclosure of parts of its proposal prior to the execution of the contract incorporating the same, DRS will comply with the court order. The burden is upon a successful respondent to evaluate and anticipate its need to maintain confidentiality and to proceed accordingly. Timeliness will be of the essence; a delay in execution of the contract to accommodate a petition to the courts will not be allowed.

10. DRS RIGHTS

10.1 PROPOSAL REJECTIONS

Determination of clarity and completeness in the responses to any of the provisions in this RFP will be made solely by the DRS evaluation team. DRS reserves the right to require clarification, additional information, and materials in any form relative to any or all of the provisions or conditions of this RFP.

DRS reserves the right to reject any or all proposals at any time prior to

the execution of a contract acceptable to DRS, without penalty to DRS.

10.2 CONTRACT AWARD

DRS intends to award the contract to the respondent(s) with the best combination of attributes based on the evaluation criteria listed in Section 9.4 of this RFP.

Should DRS fail to enter into a contract with the Apparently Successful Respondent(s), DRS reserves the right to award a contract to the next most qualified respondent(s). DRS also reserves the right to contract with more than one respondent.

10.3 PUBLICITY

No informational pamphlets, notices, press releases, research reports, and/or similar public notices concerning this project may be released by the Apparently Successful Respondent(s) without obtaining prior written approval from DRS.

10.4 WAIVERS

DRS reserves the right to waive specific terms and conditions contained in this RFP. It shall be understood by respondents that the proposal is predicated upon acceptance of all terms and conditions contained in this RFP unless the respondent has obtained such a waiver, in writing, from the RFP coordinator prior to submission of the proposal. Any waiver, if granted, will be granted to all respondents.

10.5 RECORDS RETENTION

After the date of the announcement of the Apparently Successful Respondent(s), DRS will retain one master copy of each proposal received for a period of six years. However, due to limited storage capacity and workspace efficiencies, those copies may be moved from DRS headquarters to the Washington State Records Center in Tumwater, Washington, at the end of six months from the date of announcement of the Apparently Successful Respondent(s). Thereafter, accommodation of any request made pursuant to Chapter 42.17 RCW to examine and/or photocopy proposals submitted in response to this RFP will be necessarily delayed in order to retrieve the requested records. However, DRS will retain, at its headquarters and archived after the contract period is over, copies of the proposal(s) from the Apparently Successful Respondent(s) for a period of six years from the execution date of contracts resulting from this procurement.